



Lloyds Bank Limited

MONTHLY REVIEW

MAY 1938



Lloyds Bank Limited

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Foreign Trade and Commercial Policy of the Kingdom of the Netherlands during the Post-War Years

By Professor Dr. P. Lieftinck, of Rotterdam.

I. FOREIGN TRADE OF THE NETHERLANDS

THE dependence of the Netherlands upon world economic conditions is nowhere more apparent than in its foreign trade. During the three decades which preceded 1914, Dutch foreign trade not only grew with the rapid expansion of world trade, but its share therein was also steadily increasing. As a result the Netherlands, predestined thereto by its geographical position and natural resources as well as by the character of the people, gained first rank among the countries showing the greatest international goods turnover per head of the population.

During the war Dutch foreign trade shrunk for obvious reasons. When in the early twenties, however, the international exchange of goods resumed an upward tendency, the Netherlands took its legitimate part in this development, although its relative share did not entirely recover to its pre-war level. Chart I illustrates how closely Dutch imports and exports continued to be correlated with the expansion and contraction of the world trade in general.* It also shows that the share of the Netherlands in world trade during the last ten years only fluctuated within relatively narrow limits. It rose from 2.71 per cent. in 1926 to 3.25 per cent. in 1932,

* Reliable figures for world trade do not go back further than 1926.

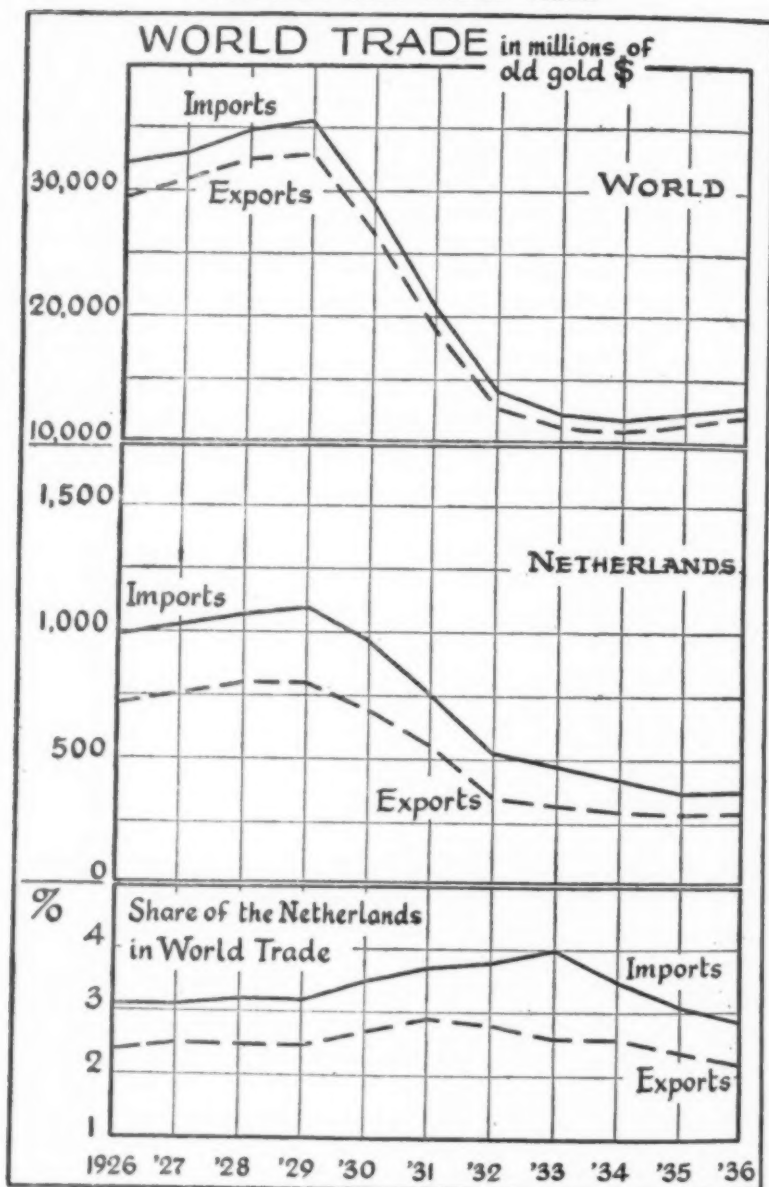
after which it fell again to 2.67 per cent. in 1936; the deviation from the average was thus not more than about 10 per cent.

The course followed by Dutch foreign trade—both on the basis of weight and value—during the past fifteen years is shown in Chart II. The total volume of foreign goods turnover (imports and exports together), measured by weight, rose from 28,045,000 tons in 1923 to 48,000,000 tons in 1930, then fell to 32,885,000 tons in 1935 and recovered in the two following years, reaching 39,536,000 tons in 1937. Calculated per head of the population, these figures represent 3.9 tons, 6.0 tons, 3.9 tons and 4.6 tons respectively. Measured by value, the volume of trade rose from Fl.3,312,000,000 in 1923 to Fl.4,742,000,000 in 1929, and subsequently fell to Fl.1,611,000,000 in 1935, rising to Fl.2,699,000,000 in 1937. Per head of the population these figures amount to Fl.459, Fl.605, Fl.190, and Fl.312 respectively. The fact that the value of trade during the years of shrinkage decreased a good deal more than its weight must of course be ascribed to the severe fall in prices which set in after 1929.

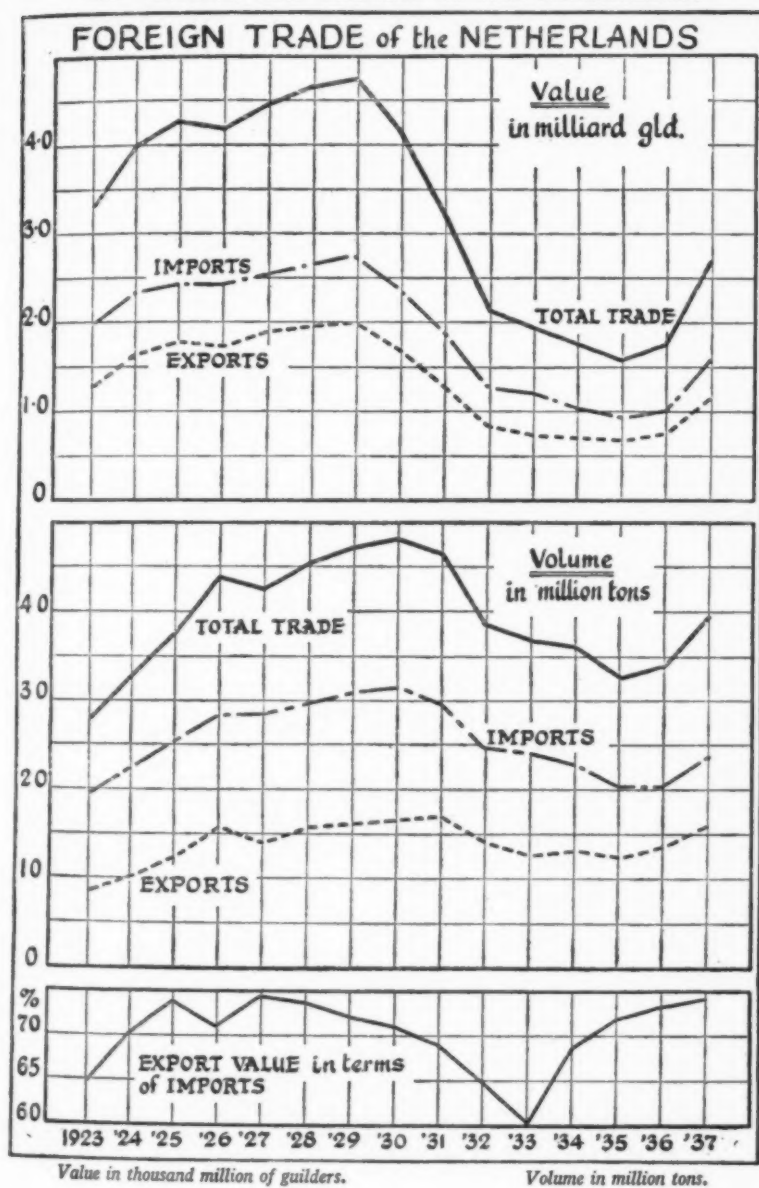
The balance of trade of the Netherlands remained passive during the whole period under review. An examination of the returns expressed in value shows that the percentage of imports covered by exports was somewhat more than 70 per cent. in the years 1924 to 1930, with 74.5 per cent. in 1927 as the highest point. From 1931 to 1934 it was below 70 per cent., its lowest point being 60 per cent. in 1933. Thereafter the percentage improved, and ultimately returned approximately to the old level. The unfavourable course of the trade balance in the years 1931 to 1933 must be attributed on the one hand to the fact that, partly on account of monetary disequilibrium, the Netherlands exports receded more than imports, and on the other hand to the circumstance that, for various reasons, the barter terms of trade with foreign countries developed unfavourably for us.

With regard to imports and exports some remarkable changes are worth mentioning. As a result of the growing importance of mining in the Netherlands, the imports of coal and coal-products decreased considerably, as is clearly reflected in the total volume of imports. The volume of both imports and exports of chemicals increased proportionately, while the relative importance of the export of agricultural products according to weight decreased.

I.—FOREIGN TRADE OF THE NETHERLANDS COMPARED WITH WORLD TRADE



II.—IMPORTS AND EXPORTS OF THE NETHERLANDS



If relative values are considered, it is striking that, for both imports and exports, the share of foodstuffs decreased; between 1923 and 1936 food imports showed a drop from 25.1 per cent. to 16.9 per cent. of total imports, while food exports fell from 39.7 per cent. to 32.5 per cent. of total export. On the other hand the proportion of both imports and exports of raw materials, semi-manufactured goods and manufactured goods (other than foodstuffs) increased. Although these value-percentages have been influenced by price fluctuations, the tendency towards the increased industrialisation of the Netherlands, which is also indicated by the course of the weight ratios, is thereby confirmed.

The most important Dutch imports and exports may be divided into four main groups, viz., animal products (I), vegetable products (II), minerals, metals and goods manufactured therefrom (III), and other products (IV). The table below contains in each group those articles—in order of importance for the year 1937—whose import or export value exceeded Fl.10,000,000.*

PRINCIPAL IMPORTS AND EXPORTS
(In millions of guilders)

| IMPORTS | 1923 | 1929 | 1937 | EXPORTS | 1923 | 1929 | 1937 |
|---------------------------------------|------|------|------|------------------------------------|------|------|------|
| I. Hides and skins | 24 | 42 | 39 | I. Milk | 48 | 56 | 49 |
| Leather | 18 | 16 | — | Butter... .. | 41 | 86 | 44 |
| II. Timber and woodwork ... | 93 | 134 | 93 | Eggs | 14 | 70 | 33 |
| Wheat | 68 | 74 | 50 | Cheese | 54 | 79 | 30 |
| Maize | 67 | 99 | 49 | Hides and skins | 21 | 24 | 30 |
| Seeds | 60 | 82 | 43 | Salt meat | — | 55 | 22 |
| Raw cotton | 46 | 58 | 35 | Fish | 17 | 31 | 16 |
| Unmanufactured tobacco ... | 30 | 40 | 20 | Lard, tallow and melted fat... | 19 | 14 | — |
| Cocoa beans | 21 | 32 | 20 | Fresh meat | 50 | 33 | — |
| Sub-tropical fruits | 26 | 38 | 18 | II. Vegetable oils | 85 | 115 | 64 |
| Vegetable oils... .. | 27 | 38 | 15 | Flowers, flower bulbs, trees | — | — | — |
| Barley | 25 | 30 | 15 | and shrubs... .. | 31 | 47 | 35 |
| Coffee | 43 | 49 | 14 | Fresh vegetables | 19 | 62 | 24 |
| Rubber and rubber products | 23 | 22 | 14 | Potatoes | 14 | 22 | 20 |
| Copra | 47 | 39 | — | Potato flour | 14 | 16 | — |
| Wheaten meal and flour ... | 23 | 20 | — | Seeds | 10 | 13 | — |
| III. Iron, steel and products thereof | 92 | 178 | 141 | Peas | 16 | 17 | — |
| Implements and apparatus ... | 78 | 183 | 90 | Sugar and molasses | 72 | 15 | — |
| Ores (except iron and man- | — | — | 64 | Margarine | 50 | 40 | — |
| ganese) | — | — | — | III. Coal, coke and briquettes ... | 56 | 90 | 69 |
| Coal, coke and briquettes ... | 123 | 123 | 53 | Tin and tinware | — | — | 56 |
| Crude mineral oils and gaso- | 24 | 87 | 39 | Wireless articles | — | 81 | 53 |
| line | 15 | 11 | 16 | Iron, steel and products thereof | 28 | 52 | 48 |
| Copper | 10 | — | 16 | Implements and apparatus... | 26 | 39 | 31 |
| Tinplate and tinwareplate ... | 20 | 23 | 13 | IV. Yarns, piece goods and wear- | — | — | — |
| Instruments | — | — | — | ing apparel... .. | 139 | 212 | 86 |
| IV. Yarns, piece goods and wear- | 238 | 297 | 131 | Paper and paperware | 34 | 41 | 25 |
| ing apparel... .. | 43 | 76 | 40 | Chemical products | 15 | 28 | 16 |
| Vehicles | 31 | 47 | 32 | Electrical lamps | 29 | 28 | — |
| Chemical products | 47 | 76 | 29 | | | | |
| Saltpetre and fertilisers ... | 28 | 37 | 24 | | | | |
| Paper and paperware... .. | — | — | — | | | | |

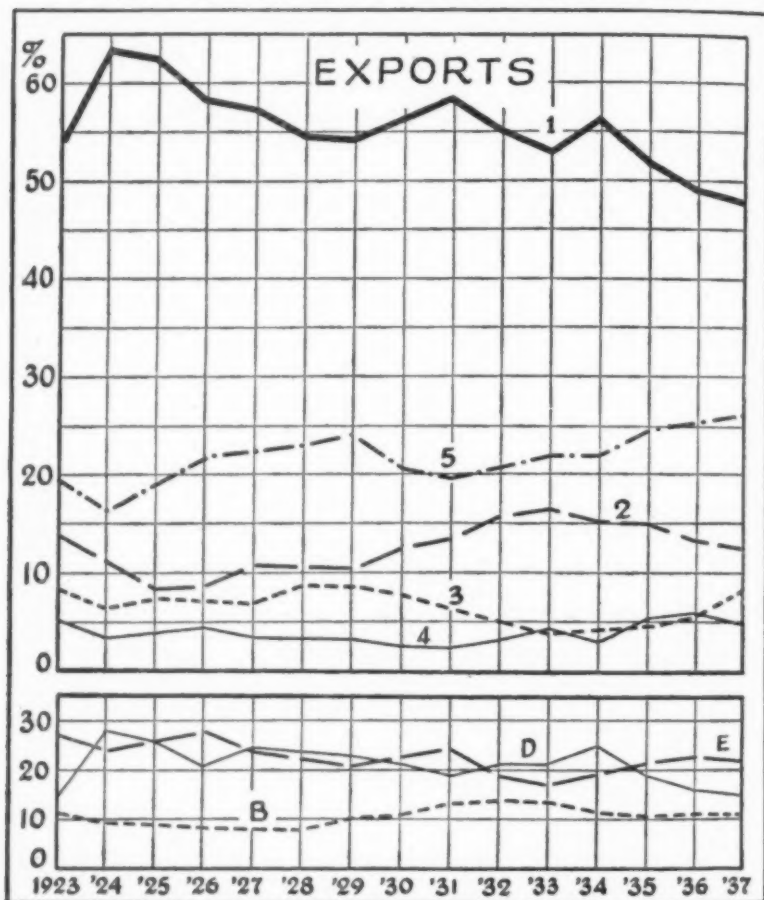
* A dash in one of the columns indicates that the import—or export—value in the year in question remained below that figure.

This table, derived from the Central Bureau of Statistics (The Hague) figures, shows that since 1923 the following items have disappeared from the list of principal imports: leather and wheaten meal and flour. Imports of ores (mainly tin ores), on the other hand, have become appreciable. Among exports tin, wireless apparatus and salt meat have become prominent, while fresh meat, lard, potato flour, seeds, peas, sugar and molasses, margarine and electric lamps have to a large extent lost ground. Structural changes rather than cyclical fluctuation in trade account for these developments. In the case of margarine and electric lamps, for instance, production for export was transferred abroad in order to escape foreign tariffs. The import of tin ores and the export of tin is due to the establishment in Holland of important tin works. As for alterations in agricultural products, the background (changing market conditions) is more complicated.

Chart III throws some light upon the development of the geographical distribution of foreign trade of the Netherlands. Trade with the three neighbouring countries—Germany, the United Kingdom and the Belgian-Luxemburg Customs Union (group 1)—continued to be of paramount importance, although the share of these countries in total imports and exports, expressed as a percentage of the value thereof, shows a pronounced downward tendency. Their share in exports decreased from 56 per cent. in 1923 ($62\frac{1}{2}$ per cent. in 1924) to 48 per cent. in 1937, while their share in imports fell from 51 per cent. in 1923 to 41 per cent. in 1937. This tendency is caused entirely by the course of trade movements between the Netherlands and the United Kingdom and between the Netherlands and Germany, as trade with Belgium was relatively well maintained. It is remarkable that the share of some important European countries (group 2) and of the United States (4) did not increase, but that an increase took place in the share of the less important "remaining countries" (group 5). This seems to point to a wider geographical distribution of the Netherlands imports and exports.

The fact that, on an average, the share of the Netherlands Indies underwent little change (only imports from this overseas territory reveal some relative increase), shows that the inter-imperial trade of the Netherlands is by no means so powerfully developed as, for instance, that of the British or French Empire.

III A.—THE SHARE OF THE PRINCIPAL COUNTRIES AND GROUPS OF COUNTRIES IN DUTCH FOREIGN TRADE



Group 1.—Neighbouring countries (Germany, the United Kingdom and the Belgian-Luxemburg Customs Union).

Group 2.—Some important European countries (Switzerland, France, Sweden and Italy).

Group 3.—The Netherlands East Indies.

Group 4.—The United States of America.

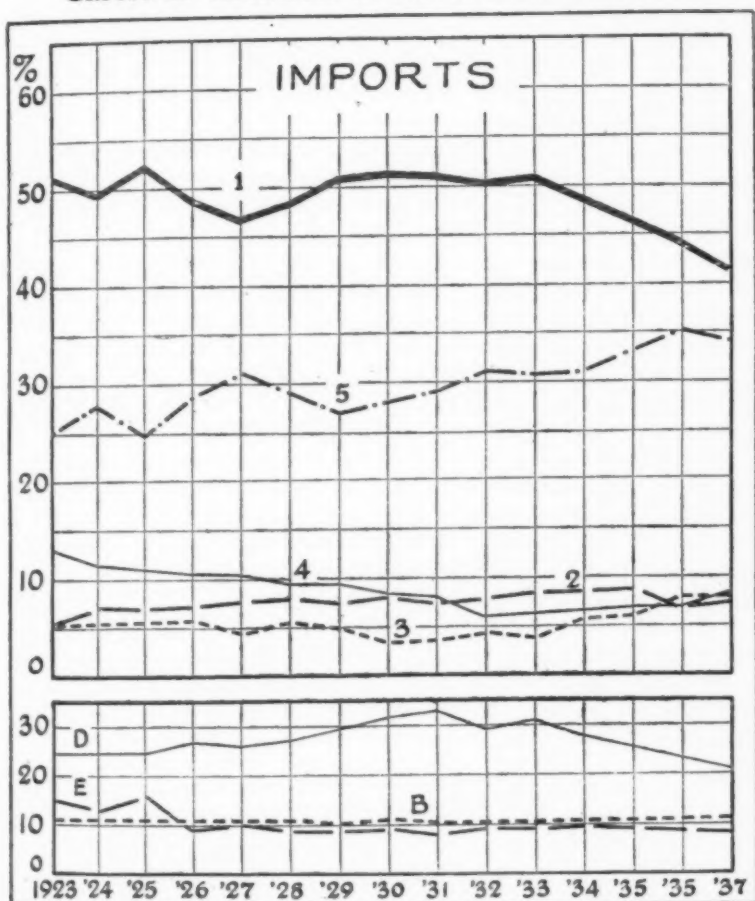
Group 5.—Other Countries.

B.—The Belgian-Luxemburg Customs Union.

D.—Germany.

E.—The United Kingdom.

IIIB.—THE SHARE OF THE PRINCIPAL COUNTRIES AND GROUPS OF COUNTRIES IN DUTCH FOREIGN TRADE



Group 1.—Neighbouring countries (Germany, the United Kingdom and the Belgian-Luxemburg Customs Union).

Group 2.—Some important European countries (Switzerland, France, Sweden and Italy).

Group 3.—The Netherlands East Indies.

Group 4.—The United States of America.

Group 5.—Other Countries.

B.—The Belgian-Luxemburg Customs Union.

D.—Germany.

E.—The United Kingdom.

II.—COMMERCIAL POLICY OF THE NETHERLANDS

The commercial policy of the Netherlands, which underwent few drastic alterations in the second half of the nineteenth and in the early part of the present century, has since the Great War presented the picture of a transition, at first gradual but later developing at greater and greater speed, towards new principles.

Free trade, which had found one of its greatest strongholds in the Netherlands, was gradually undermined here too, after having been abandoned in so many countries by the ever-increasing spread of state intervention in economic affairs, which was bound also to affect commercial policy. This process—with its deeper causes rooted in changes in the world's economic structure and in alterations in the social forces influencing economic equilibrium, nationally and internationally—was greatly stimulated by the serious and prolonged world depression, which has exercised such a very far-reaching influence on nearly all aspects of economic life.

It can be said with truth that many of the economic measures applied in this country since the beginning of the great depression, were of a purely defensive character; but it cannot be denied that there is some connection between the Netherlands commercial policy of recent years and the international movement towards state intervention. The pressure of extraordinary circumstances undoubtedly facilitated the extension of this movement to the Netherlands. As long ago as the beginning of the twenties some phenomena had appeared which may be characterised as an inclination in the direction indicated.

From 1923 till the British Suspension of the Gold Standard (September, 1931).

The basis upon which the free trade policy of the Netherlands rested up to the beginning of the twenties was the Tariff Law of 1862 (amended in 1877), together with a large number of most-favoured-nation treaties. A duty of only 5 per cent. *ad valorem* was levied upon commodities to which the tariff applied, while there were no quotas or other quantitative measures to restrict imports.

Until the end of 1931 breaches in this system were but few in number and of minor importance. In 1923, in order to check huge imports from Germany, where, as a result of the

inflation of the mark there was no longer any genuine basis for the determination of prices, a law for the temporary restriction of the importation of footwear (the so-called "Shoe Law") was passed. This was revoked as early as June 1st of the following year. Although purely of an incidental nature, this measure deserves special notice, because it may be regarded as the precursor—though on a very reduced scale—of later quantitative restrictions of imports.

A more important measure was the Tariff Law of 1924, primarily intended as a technical improvement to the import tariff in the interest of commerce and industry; occasion was also taken, by increasing the *ad valorem* duty from 5 to 8 per cent., to obtain more revenue for the Treasury. By maintaining the same principle which had constituted the basis of the old tariff, viz., that an import duty should be levied only upon such articles as are suitable for the consumer's use without any further process of manufacture or combination with other products (the so-called "counter-articles"), and by the moderate increase in duty, the tariff retained, even after this alteration, its predominantly fiscal character.

The twenties were marked particularly by great activity in the negotiation of commercial treaties. Many existing treaties were revised, while commercial relations were regularised with a number of (mostly new) countries for the first time. The unconditional most-favoured-nation clause constituted the main point in nearly all these agreements. Meanwhile a great many forms of reciprocity, which were applied by other countries, gradually weakened the guarantee of equal treatment which this clause provided. Under these circumstances, some elements of reciprocity also crept into the commercial treaty policy of the Netherlands, particularly in the commercial treaty which was concluded with Czechoslovakia in 1923 and in the Netherlands-German customs and credit agreement of 1925.

The spread of protection abroad and the continual attacks upon the most-favoured-nation agreement ("the sheet-anchor of our commercial treaty policy"), especially in the form of extremely detailed tariff specifications, gradually brought about a change in the views of important groups with regard to commercial policy. Those who favoured the application of the principle of reciprocity in arranging commercial relations with foreign countries organised themselves in 1926 in the

"Association for an Active Trade Policy." The adherents of the traditional policy did not give in, however, and founded the "Netherlands Association for Free Trade," for the defence of the principles of free trade in the widest sense.

The fruitless efforts of the League of Nations in 1927 and 1930 to stem the world-wide protectionist tide, and the disappointing experience gained in the Netherlands in 1930 with the export of butter to Germany—which was affected by a serious evasion of the most-favoured-nation clause—did not fail to make a deep impression on public opinion. Only at the end of the following year, however—when the world depression made itself fully felt in the Netherlands as elsewhere, and when economic and monetary dislocation in the countries around us brought the commercial life of the country into a critical condition—did the Government resolve to interfere in the international exchange of goods. This intervention was to be followed—after an interval of nearly two years—by measures regarding international payments, and by a fundamental alteration in the commercial treaty policy.

From the British Suspension of the Gold Standard (September, 1931), to the Economic and Monetary World Conference in London (Summer, 1933).

After the sharp international fall in prices which had taken place in the two previous years, the depreciation of the Pound Sterling in September, 1931 and the subsequent weakening of many other currencies deprived the economic life of the Netherlands of the power to hold its own in competition with foreign countries. Important export markets were lost or dwindled away; while the home market was flooded with imported low-priced goods. The tendency everywhere to close frontiers and raise obstructions in the way of foreign payments, principally in a number of Central European countries, contributed to place various branches of the industrial life of the Netherlands in a precarious position. Directive action on the part of the Government was now inevitable.

The first change in policy which came about in this phase was the Crisis Import Law of December 23rd, 1931, giving the Government the power to take temporary measures to restrict the import of goods. This law provided that, in case of excessive imports of certain goods, import quotas could be imposed, applying to each country on the basis of the imports

of similar goods during at least two preceding years. This created the possibility of putting up a barrier against increasing imports and, also to compensate lost exports, to reserve part of the home market temporarily for Netherlands producers. To ensure a fair division among the Netherlands exporters of the export quotas allowed by foreign countries (both absolute and tariff quotas), the Crisis Export Law of December 24th, 1931, gave the Government powers to introduce temporary regulations regarding the export of goods.

To check the dangers resulting from the restrictive measures, which were being more and more applied in the field of international payments, the Law of July 25th, 1932—the so-called Clearing Law, 1932—empowered the Government to conclude clearing treaties, as well as to impose restrictive measures with regard to the payment for imports from certain countries, that is to introduce an autonomous clearing. The main purpose of this law, which was also given a temporary character, was to furnish the necessary assistance to export to countries which were weak in foreign exchange resources. In the long run, however, it was found that it provided the Government with a powerful means of taking measures to regulate the structure of Netherlands commerce.

Increasing doubt as to the beneficent effects of the most-favoured-nation clause, which under the prevailing circumstances was found to obstruct more and more the rational development of international commercial relations, found expression in the Treaty of Ouchy, concluded on July 18th, 1932, between the Netherlands and the Belgian-Luxemburg Customs Union. Here the contracting countries bound themselves to proceed to a gradual reduction of their import duties, but only "in their mutual relations." Although it was laid down in this convention that any country could join it if it was willing to assume the same obligation, this treaty constituted the decisive step of the Netherlands commercial treaty policy in the direction of reciprocity. On the ground of existing most-favoured-nation treaties, the Governments of several countries, in particular the British Government, lodged protests against the Ouchy clause. This has prevented the much-discussed treaty from coming into force.

With regard to tariff legislation everything at first remained as it was. The economic measures which they were obliged to take were regarded by the Government,

and by many with them, as being of a temporary nature, and therefore they were reluctant to involve the permanent tariff in them. Moreover, the most-favoured-nation treaties which the Netherlands had concluded with many countries were a serious obstacle to the effective use of import duties as a measure to check excessive imports. Finally, it was realised that the international price disturbances had assumed such proportions that, even if the tariff were to be used to check excessively cheap imports, it was at least doubtful whether this course of action would yield sufficient results, without exorbitant increases in import duties with all their concomitant disadvantages. It is true that, from purely fiscal considerations, the law of December 19th, 1931, raised the general tariff from 8 to 10 per cent., but this measure was confined to a definite term; the law was to lapse as from January 1st, 1935.

If we review the actions of the Government in connection with the commercial policy during the first years of the depression, it is noticeable that although the free trade principle was temporarily abandoned, no measures were taken—if we except the Ouchy initiative—except such as were dictated by necessity. Only a very restricted use was made of the wide powers obtained. The quota system was confined to a few groups of articles—in particular to textile goods, footwear, products of the ceramic industry, cycle tyres, meat, butter, fats and a few cereals. During the first year of its existence not a single practical application was given to the Clearing Law. The traditional most-favoured-nation standpoint was maintained as far as possible. The tariff remained, at any rate in intention, fiscal.

The insistence of large sections of the population that the Government should adopt a more active attitude towards foreign countries which showed no consideration for Netherlands commercial interests, gradually became more urgent. In Government circles, nevertheless, some expectation still seemed to be entertained with regard to possible results of the Economic and Monetary World Conference to be held in London in the early summer of 1933. When this resulted in failure and the international struggle of commercial policies afterwards became still more intensive, a pronounced change in the Netherlands commercial policy became inevitable. This inaugurated an entirely new period.

From the Failure of the London Conference (Summer, 1933) to the Monetary Tripartite Agreement (September, 1936).

This period begins with a rapid transition to a more active commercial policy, accompanied by the adoption of the principle of reciprocity in determining quotas, and in particular by measures with regard to payments. In this connection important powers were added to the economic arsenal.

By the law of August 5th, 1933 (the Retaliation Law), the Government assumed the power to exclude wholly, or to impose a special import duty upon, goods from countries with which they had concluded no commercial treaty and which treated the Netherlands more unfavourably than other countries, or in a manner contrary to the vital interests of the country. This law, which has especially a preventive intention, and which has not yet had to be applied, gives Netherlands negotiators useful support in difficult cases.

Of great practical importance were the alterations made in the Crisis Import Law by the law of November 17th, 1933. Besides the quotas applying to each country, special quotas can now be fixed for imports from particular countries, while the granting of these latter quotas may be accompanied by conditions which serve to promote normal market relations in the Netherlands. The provision that the quotas were to be fixed on the basis of the imports during at least the two previous years, was withdrawn, and the period during which the law was to remain in force was extended till January 1st, 1938. In particular the power to grant special quotas provided a very valuable lever for negotiations, the more so as the quota system is independent of the most-favoured-nation clause as is internationally recognised. Although concessions made by the Netherlands, in the form of treaty quotas, are not made known as a rule, it may be assumed that this system has played a prominent part in bringing about many of the commercial agreements concluded since 1933 on the basis of reciprocity.

The years 1934 and 1935 were not only marked by a greatly increased quota activity, sometimes connected with impending negotiations for new commercial treaties. In the same years several clearing agreements were also concluded, viz., with Chile, Germany, Turkey, Rumania, Italy and Bulgaria in succession. The clearing agreement with Germany was only

brought about after the application to that country, in the late summer of 1934, of an autonomous clearing, by means of which successful pressure was exercised to secure the adoption of a reciprocal arrangement. Before this agreement was given a more durable form, the Clearing Law itself underwent an important change, and its sphere of action was extended to the settlement of claims other than those arising from the exchange of goods, while the Government obtained wide powers to fix payment quotas with regard to exports. This revision was brought about on November 14th by the "International Payments Law, 1934."

Some not unimportant changes with regard to tariff legislation also took place in the years 1934 and 1935. From the point of view of commercial policy the most important was the law of May 17th, 1934, for establishing, abrogating, increasing or reducing import duties at short notice (since the law of December 31st, 1936, for the purpose of extending its period of operation, called the Tariff Authorisation Law, 1934). This law gave the Government power to grant tariff protection at short notice to home industries, in addition to or instead of a quota, if the industries were in danger of extinction as a result of foreign competition, and further to give immediate effect to tariff alterations introduced into a commercial treaty. The condition made in the first case, however, proved in practice to be so stringent that the efficacy of this legislation lies almost entirely in the last-mentioned power. The law in question is also of fiscal importance, since it renders it possible that proposals for the alteration of the general tariff, which have been introduced in the States General, but have not yet been passed, can be declared wholly or partly applicable for the time being.

This power soon became useful, at the third revision of the tariff, during the period under review. The relevant Bill, which provided for an increase of the general tariff from 10 to 12 per cent., on behalf of the Treasury, was provisionally applied on July 1st, 1934. After lengthy parliamentary discussion it became law on June 28th, 1935. This tariff was differentiated, more than its predecessors, according to raw materials, semi-manufactured goods, industrial accessories and finished products, but the principle of a general autonomous tariff, not drawn up as a weapon for negotiation, was again maintained.

Whereas import duties on foreign goods continued to be governed by the most-favoured-nation principle, to which the Netherlands was also bound by many treaties, in the case of the conclusion of new treaties in this period the principle of reciprocity came more and more to the fore. Nevertheless, in the years after 1933 several most-favoured-nation treaties were concluded (some provisional, others definitive), including those with Uruguay, Argentina, Spain, Portugal, South Africa, France, the United States and Chile, although in many cases reciprocity provisions were introduced into them. In some exceptional cases the Netherlands granted most-favoured-nation treatment with regard to quotas (for instance, to Great Britain) and the allocation of foreign exchange, but nevertheless this is the chief field in which the reciprocity principle has secured an important place.

The year 1936 was, of the period in question, the least rich in important events with regard to the country's commercial policy. The restriction of the importation of a great number of articles was extended (at the beginning of the year the goods to which quotas applied already represented some 37½ per cent. of the value of the total imports), some new quotas were introduced, while on the other hand the first step was taken towards replacing the quotas for a number of articles (viz., finished textile products) by increased import duties. Since then, however, the Government has gone but little further in this direction. The month of September of the same year brought the monetary Tripartite Agreement and the depreciation of the guilder. This concluded the period.*

From the Tripartite Agreement (September, 1936) till the beginning of 1938.

The collapse of the gold bloc and the Tripartite Agreement opened up, in the opinion of many people, new possibilities of extending international trade and of demolishing obstacles to commercial intercourse. The extension of world trade was accomplished—thanks to the general recovery in economic affairs, which had already made great progress in many countries—but no appreciable demolition of trade barriers was achieved. The commercial policy of the Netherlands, too, showed outwardly only a weak reaction. Early in October, 1936,

* Cf. for this period the more detailed study of Dr. A. H. Philipse, "Quelques aspects de la politique commerciale des Pays-Bas," in "Grotius," *Annuaire International pour 1937*, M. Nyhoff, la Haye.

a number of quotas were abolished, but many others were extended. Towards the end of April, 1937, a Bill was introduced to amend the Crisis Import Law, its purpose being to extend the Government's powers. The quota system was declared to be indispensable for the time being. Moreover, on September 27th a Bill was introduced to amend the Tariff Authorisation Law, 1934, in which it was also proposed to extend considerably the powers conferred by the law. These two Bills met with opposition, but the former was accepted after some amendment, while as regards the latter no parliamentary discussion has yet taken place.

That the Government is doing its utmost to seize the possibilities of increased trade resulting from the improved economic situation was demonstrated by the renewal of the commercial agreements which expired in the last few years, and also by a not unsuccessful initiative, dating from the early part of 1937, to make use of the Oslo Convention with the Scandinavian Countries and the Belgian-Luxemburg Customs Union, which had been inactive for more than seven years, to increase the trade between the countries concerned. This is the first case since the failure of the London Conference of obstacles to trade being reduced by multilateral agreement.

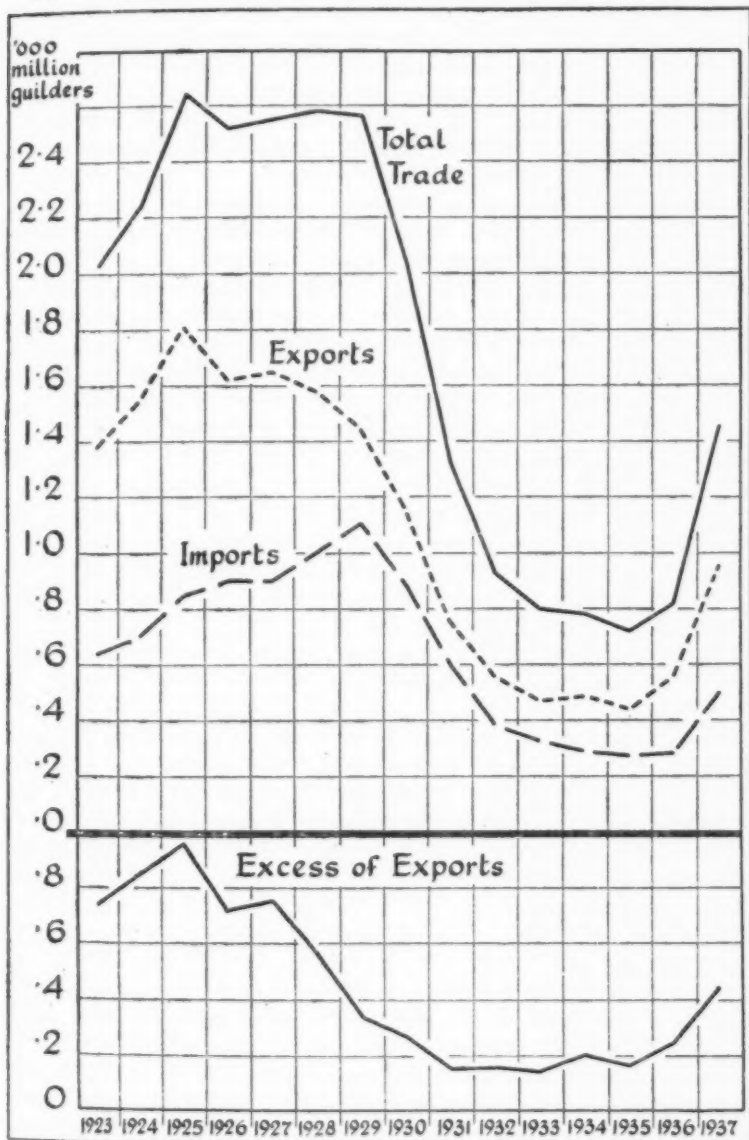
The direction in which the commercial policy of the Netherlands is developing is now gradually becoming somewhat clearer. The free trade principle is no longer followed as the only, nor as the ultimate, guide. The course, however, is not directed towards economic self-sufficiency, nor towards the cultivation of home monopolies. While maintaining the great advantages accruing from a brisk exchange of goods with foreign countries, it is aiming at more certainty in international commercial relations and at the creation of more harmony between those sections of industrial life in the Netherlands which are dependent upon home trade and those which are dependent on the foreign markets.

III. FOREIGN TRADE OF THE NETHERLANDS INDIES

The direct participation of the Netherlands Indies in international trade was initiated some three-quarters of a century ago; it has steadily grown since then and has been greatly developed during the years succeeding the World War.

In foregoing periods the Netherlands Indies had not been of great significance to the world as a whole, but only to the

IV.—FOREIGN TRADE OF THE NETHERLANDS EAST INDIES



mother country. With the growing demand for products of tropical agriculture and for minerals, with which this colony is abundantly supplied, its exports, however, attained an increasingly important place in the world market and thanks to the rise of purchasing power of the population imports could also increase. In 1932 the Netherlands Empire trade constituted 5.1 per cent of the world trade, which leaves 1.8 per cent. for the Netherlands Indies.

Whereas the mother country has a passive trade balance the Netherlands Indies have an active balance, as is characteristic for colonial raw material countries. The value of exports is the only important active item on the balance of payments, whereas the passive side of this balance includes not only the value of imports, but also a number of "invisible" items, viz., services of various kinds. The fluctuations since 1923 of imports and exports (jointly and separately) and of the excess of the latter over the former is shown in Chart IV. Imports rose from Fl.648,000,000 in 1923 to Fl.1,108,000,000 in 1929, and subsequently fell to Fl.278,000,000 in 1935, rising again to Fl.498,000,000 in 1937. Exports rose from Fl.1,386,000,000 in 1923 to Fl.1,811,000,000 in 1925, then fell to Fl.447,000,000 in 1935 and recovered again to Fl.950,000,000 in 1937. The excess of exports, which amounted to Fl.738,000,000 in 1923, rose to Fl.966,000,000 in 1925, reached its lowest point with Fl.140,000,000 in 1933 and rose thereafter, somewhat irregularly, to Fl.452,000,000 in 1937.

The decline in the value of exports set in as early as 1926, whereas the quantities exported showed a rise up to 1929. This is to be explained by the fact that the price level of the Netherlands Indian export products began to fall three years before the world depression began. This downward movement was continued more rapidly after 1929, and was replaced by a recovery only in 1936. Furthermore it is remarkable, that whilst the total value of exports between 1929 and 1935 decreased by no less than 61 per cent., the volume of exports in that period fell by only 8 per cent. This heavy loss of export value was to be attributed principally to the most important export product, viz., sugar, the sale of which in the Oriental markets was hampered since 1923 by many import restrictions. Generally speaking the remaining important export products suffered little on account of trade restrictions.

For the seven most important products—rubber, petroleum, sugar, tin and tin-ore, tea, tobacco and copra—the following table shows the fluctuations of export values :—

EXPORTS OF THE PRINCIPAL PRODUCTS
(In millions of guilders)

| Year | Rubber | Petroleum | Sugar | Tin and Tin Ore | Tea | Tobacco | Copra |
|----------|--------|-----------|-------|-----------------|-----|---------|-------|
| 1923 ... | 174 | 179 | 502 | 67 | 76 | 86 | 85 |
| 1925 ... | 582 | 173 | 369 | 94 | 74 | 110 | 102 |
| 1927 ... | 417 | 150 | 365 | 112 | 90 | 114 | 73 |
| 1929 ... | 237 | 185 | 312 | 79 | 86 | 83 | 98 |
| 1931 ... | 83 | 147 | 129 | 40 | 60 | 51 | 49 |
| 1933 ... | 38 | 105 | 62 | 23 | 26 | 36 | 38 |
| 1935 ... | 70 | 87 | 35 | 36 | 37 | 29 | 26 |
| 1936 ... | 86 | 96 | 34 | 47 | 43 | 33 | 41 |
| 1937 ... | 296 | 165 | 50 | 78 | 49 | 31* | 62 |

* Eleven months

Up to 1929 the imports into the Netherlands Indies showed a rise, not only measured by value, but also in quantity. In the period 1929 to 1935 the value of imports fell by 75 per cent. and the quantity by 53 per cent. This shows that the price level of imports fell much less than that of exports; the result was a serious adverse movement of the terms of trade with foreign countries. In the course of 1936 the reverse took place; the price level of exports recovered much more rapidly than that of imports, so that about the beginning of 1937 the terms of trade regained the aspect of 1929. The following table shows the fluctuations in import value of the five principal groups.

IMPORTS IN THE PRINCIPAL GROUPS
(In millions of guilders)

| Year | Articles of food and luxuries | Yarns, piece goods, etc. | Metals | Machines, implement apparatus and tools | Chemical products |
|----------|-------------------------------|--------------------------|--------|---|-------------------|
| 1923 ... | 112 | 186 | 46 | 31 | 45 |
| 1929 ... | 288 | 272 | 111 | 122 | 81 |
| 1933 ... | 85 | 106 | 23 | 19 | 29 |
| 1935 ... | 69 | 82 | 26 | 23 | 25 |
| 1936 ... | 60 | 85 | 27 | 29 | 28 |
| 1937 ... | 78 | 158 | 65* | 58 | 40* |

* Eleven months

The decrease with regard to capital goods is intimately connected with the diminished demand for investment purposes during the depression years. The decreased imports of food-stuffs illustrates, *inter alia*, the increased home production, particularly of rice. The fall in the figures for textile goods is to be explained for the greater part by the course of prices.

Very remarkable alterations have occurred in the geographical distribution of imports and exports. The greatly decreased Netherlands Indian exports held their ground relatively much better in the European than in the Asiatic markets. The export development was most unfavourable with respect to British India and Singapore. This decrease was principally related to sugar. The share of the mother country showed the greatest increase; that of Great Britain remained, on the whole, about equal. The destination of the goods exported was as follows :—

| PERCENTAGE OF THE TOTAL EXPORTS FROM THE NETHERLANDS | | | | | | INDIES |
|--|-----|-----|-----|-----|-----|-----------|
| | | | | | | 1927 1935 |
| Europe | ... | ... | ... | ... | ... | 36 43 |
| Asia | ... | ... | ... | ... | ... | 46 31 |
| America | ... | ... | ... | ... | ... | 13 14 |
| Australia | ... | ... | ... | ... | ... | 2 5 |
| Africa | ... | ... | ... | ... | ... | 1 3 |

Imports developed in a contrary manner. Imports from European countries fell very seriously, while, as the following table shows, those from some Asiatic countries showed relatively considerable increases.

| PERCENTAGE OF THE TOTAL IMPORTS INTO THE NETHERLANDS | | | | | | INDIES |
|--|-----|-----|-----|-----|-----|-----------|
| | | | | | | 1927 1935 |
| Europe | ... | ... | ... | ... | ... | 50 35 |
| Asia | ... | ... | ... | ... | ... | 36 53 |
| America | ... | ... | ... | ... | ... | 10 8 |
| Australia | ... | ... | ... | ... | ... | 3 3 |
| Africa | ... | ... | ... | ... | ... | 1 1 |

The great change shown by this table was mainly in favour of Japan. The cheap imports of Japanese manufactured goods practically ousted the imports from nearly all the other countries with which they entered into competition. This enormous relative increase in Japanese imports was gained chiefly at the expense of the Netherlands, Great Britain and the United States. The percentage of the Netherlands in the value of imports into the Indies fell from 20 per cent. in 1928 to 13 per cent. in 1934, whilst that of Japan rose in the corresponding years from 10 per cent. to 32 per cent.

IV. COMMERCIAL POLICY OF THE NETHERLANDS INDIES

When in the eighteen-sixties the Netherlands adopted free trade, the same policy was inaugurated in the Colonies. This entailed the abrogation of the existing preferential rights in favour of the mother country, which was effected by the Netherlands Indian Tariff Law of 1872. Since that time the development of the Netherlands Indies has been governed by the principle of the "open door," which has been applied not only to the import of goods, but also to shipping and the investment of foreign capital. In this way the Netherlands Indies have benefited very largely by the co-operation of subjects of various countries, who have contributed their work and their capital to the development of its production.

There was no positive promotion by economic measures of the trade between the mother country and the colonies. The trade of each part of the realm developed freely along natural lines. At the most it can be said that when alterations were introduced in the Netherlands Indian import duties, which was done a few times for fiscal reasons—between 1886 and 1921 the general tariff of 6 per cent. was increased to 12 per cent.—as far as possible the export interests of the Netherlands were taken into consideration, by making exceptions for certain relevant products.

It is not surprising that the Netherlands Indies, as a centre of cosmopolitan interests and as a rich source of staple products for the world market, was strongly influenced by the post-war tendencies in world economy. Even before the beginning of the great depression the Netherlands Indies began to feel the reaction of the growing desire for self-sufficiency in various buyer countries and of the threatened disturbance of the equilibrium between supply and demand with regard to its export products. During the first few years after 1929 these causes, intensified by the depression, began to produce catastrophic consequences for the economic life of the Indies, and they brought about revolutionary changes in the course followed by its foreign trade. The interests concerned thereby were not solely of a purely economic nature; the facts referred to in the previous paragraph are abundant illustration of this.

The Government, however, was, if possible, even less inclined to alter the traditional commercial policy of the

Netherlands Indies than it was to alter the commercial policy of the mother country. Only in 1933, *i.e.*, two years later than in the Netherlands, was a change introduced in the colonial commercial policy. It was characterised by the adoption of four guiding principles :—

1. *Protection of Netherlands Indian industry and the Netherlands Indian market against excessive imports of foreign goods.*

The stream of imports of very cheap goods which overflowed the country particularly in 1933 promoted on the one hand a reduction in the level of prices and costs, which was undoubtedly welcome in view of the impoverishment of the native population, but on the other hand endangered the further development, and even the existence, of certain young industries and the position of the producers of some food crops. In view of the uncertain future of the great agrarian export industries, this situation could not be viewed with equanimity.

2. *Safeguarding exports by maintaining import possibilities for buyers of Netherlands Indian products.*

The trend in export trade to move towards Western countries and the tendency of import trade to move towards Asiatic countries, to which attention was already drawn, rendered it necessary to take care that the countries whose importance as markets for the exports of the Indies had increased, would not have their share in the Indian imports cut down too much. Consequently, the Netherlands Indies, too, had to make a sacrifice on the altar of reciprocity.

3. *Protection of the existing Netherlands Indian distributive trades against foreign competition.*

This was necessary to check the fierce competition of Japanese importers, who, besides flooding the Netherlands Indies with their wares, endeavoured at the same time to open up new channels of distribution under their control, *i.e.*, to have these goods transported, handled and distributed entirely by Japanese agencies.

4. *Economic co-operation with the mother country.*

The conditions for the adoption of a policy of mutual support between the Netherlands and the Netherlands Indies were particularly favourable when simultaneously with the

great decrease in the share of Dutch industry in the imports of the Indies, there was in the colony a great need of financial support by the mother country on account of serious budget deficits. Within the scope of such a policy the promotion of the importation of Dutch products was the first course that suggested itself.

A quota arrangement offered the sole possibility of satisfactorily accomplishing these various objects. To a certain extent excessive imports could also have been combated by the imposition of high import duties, but this would not have attained the other objects. Moreover, it would have stimulated a rise in the price level, which would have impaired the ability of the Netherlands Indies to compete in the world market. And finally, Holland did not wish to give up her established policy of an equal tariff on all goods imported into the Netherlands Indies, irrespective of their origin.

The first measures for the restriction of imports were introduced by special enactments in the early part of 1933; they applied to rice and cement. Shortly afterwards a general legal basis for further measures was laid in the so-called "Crisis Import Ordinance of 1933," which empowered the Government to prohibit or regulate imports in various ways according to circumstances.

These powers were repeatedly made use of in the following years. They were applied in three different ways. In the first place quotas were determined which served wholly or mainly to protect the industrial life of the Netherlands Indies. They included, *inter alia*, import restrictions with regard to cement, coloured woven sarongs, iron frying pans, etc. A second group of import restrictions consisted of those introduced in the interest of the industries of the mother country, comprising, for instance, the measures in respect of beer, cotton goods, towels, sanitary earthenware, electric bulbs, wrapping paper, etc. For a few of these products separate import quotas were also granted to foreign countries in return for concessions on their part. Thirdly, there are the so-called import licences, the purpose of which is not to restrict or to influence the origin of the imports, but solely to protect the distributive system. Nearly all the existing restrictive measures provide for such protection; where it is the sole purpose, the arrangement is called "licensing."

To protect the share of the Netherlands in the carrying trade between the Indies and foreign countries, the Netherlands Indian Government was authorised, with regard to goods which may only be imported under a licence, to fix a proportion in which licence holders are bound to have these goods carried by vessels under the Dutch flag. A special ordinance limited the number of seaports open to trade under a foreign flag and provided a possibility of protecting vital interests of the existing coastwise services within the Archipelago.

Two enactments, issued in 1933 and 1935 respectively, regulate the admission of aliens into the country, and their employment. Every year the number of foreigners who may enter the country for residential purposes during the next year is determined, an equal share being allotted to each nationality. For the employment of newly entered aliens a permit is required. Again, just as in the mother country, scope was created for prompt retaliation in case a foreign country should discriminate specially against Netherlands Indian trade. Finally, powers to regulate undesirable exports, either to foreign countries or from one island to another, were granted to the Government under the Crisis Import Ordinance of 1933. These powers have been used solely to regulate the movements of certain articles (rice, soya beans, piece goods) between Java and the Outer Possessions.

In return for the measures which the Netherlands Indies have taken in favour of the mother country—mainly consisting in the allotment of import quotas and safeguarding the vested interests of Netherlands importers and shippers—the mother country, on her part, has furnished economic assistance principally in three ways, viz., by granting credits, by favouring the importation of certain Netherlands Indian products, and by requiring advantages for the colonies when concluding trade and clearing agreements with foreign countries.

Although at present mutual assistance between the Netherlands and the Netherlands Indies is promoted in various ways, it is agreed that this policy cannot be expected to do much to promote the prosperity of the various parts of the realm. From an economic point of view the Netherlands and the Netherlands Indies are by no means complementary. In contrast to the British Empire, which comprises a large part of the world, the Netherlands imperium is not so large that its various parts could successfully exchange with one another

a large proportion of their products. Consequently, the Netherlands oversea possessions have mainly to look to the countries near them, and this will always remain so.

The sudden alterations which have affected the course of the world's trade have, as the above explanation shows, for the time being necessitated some deviations from the principle of the "open door." These, however, are not of a fundamental nature. On the contrary, it can be maintained that "the object of these corrections is to ensure that the vital characteristic of this policy may be preserved—viz., the 'equal opportunity for all.' One group of visitors enjoying hospitality in the country should not be allowed to crowd out other visitors—or for that matter the host himself. Therefore, the door has not been closed, but a turnpike has been put at the entrance."*

CONCLUSION

The Kingdom of the Netherlands, comprising in addition to the mother country the Netherlands Indies, Surinam and Curaçao—of which the two last-named colonies are of minor importance—ranks third among the principal empires of the world.

IMPERIAL TRADE AS A PERCENTAGE OF WORLD TRADE

| | 1929 | 1936 |
|------------------------|------------|------------|
| British Empire | 27.9 | 31.0 |
| French Empire ... | 8.0 | 8.1 |
| Netherlands Empire ... | 4.7 | 4.5 |
| | <hr/> 40.6 | <hr/> 43.6 |

Although the foreign trade of each separate part of the Netherlands Empire is naturally extremely sensitive to structural changes and cyclical fluctuations in trade, it has held its own quite well during the great depression, notwithstanding the fact that the inter-imperial trade could offer hardly any compensation for loss of trade elsewhere. With regard to its commercial policy the Government of the Netherlands have been obliged, in addition to some purely defensive measures, to make certain concessions to the growth of reciprocity. The principal means which it has applied are the quota and

* "The Netherlands Indies during the Depression," by Professor Dr. A. Neytzell de Wilde and J. Th. Moll, 1936, Meulenhoff, Amsterdam.

the clearing system. As far as possible they have kept the tariff policy outside the sphere of their intervention in economic affairs. With regard to tariffs, the most-favoured-nation treatment has been strictly maintained. In the colonial policy of the "open door" certain corrections have been applied in order to safeguard the economic and political equilibrium in the Netherlands Indies.

As far as can be seen, it will be impossible for the present to dispense with a certain amount of regulation of international trade. The shocks, both monetary and political, to which the economic life of the world is exposed, the rapid changes in international trade and the rise of economic nationalism, which in certain countries knows no bounds, form no suitable background for the resumption of free and unrestricted commerce between the nations. Even if these causes were removed, the question would remain whether the social forces that actually govern the international division of labour are still sufficiently reliable, and whether the responsiveness of the national economic systems to changes from within or without is still sufficiently great to permit of a return to a policy of non-regulation of foreign trade. If this question is to be answered negatively—as I certainly think it should—the greatest caution will have to be exercised in liquidating the legislative and administrative machinery for the application of the commercial policy which has been developed in the Netherlands during recent years.

P. LIEFTINCK.

Rotterdam, April 23rd, 1938.

Notes of the Month

The Budget.—This year's Budget was inevitably overshadowed by rearmament expenditure, both actual and prospective. So far as the current estimates of revenue and expenditure were concerned, the Chancellor of the Exchequer found himself faced with a prospective deficit of exactly £30·0 millions, exclusive of those portions of the Defence estimates, amounting to £90·0 millions, which he announced would be covered by borrowing. Sir John Simon, however, had to remind the House of the decision of the Government to accelerate rearmament and to increase the production of munitions. This meant that supplementary estimates for Defence would have to be presented later in the year, and their cost would be met by further borrowing over and above the £90·0 millions announced in the Chancellor's Budget speech.

The actual results for 1937-38, and the estimates forming the basis of the 1938-39 Budget, are set out in the following table:—

| | 1937-38 Actual Results | 1938-39 Estimates |
|---|---------------------------|----------------------|
| | £ millions | |
| Ordinary Revenue | 872·6 | 914·4 |
| Ordinary Expenditure (including new Sinking Fund) | 843·8 | 944·4 |
| Surplus (+) or Deficit (—) ... | + 28·8 | — 30·0 |
| Defence Expenditure covered by borrowing | 64·9 | 90·0* |

* Plus any sum required to cover supplementary estimates for Defence expenditure presented during the year.

The immediate decision to be taken was whether the prospective deficit of £30 millions was to be covered by fresh taxation or by new borrowing. The problem was clearly not an easy one to solve. The Chancellor had to weigh the likely effect of higher taxation upon the general state of trade and buoyancy of the revenue against the obvious objection to new borrowing. In the course of preparing his estimates he found it necessary to raise the annual fixed debt charge from £224 to £230 millions, and as further defence loans are issued, the total cost of the National Debt must increase. It is possible, however, that the final factor influencing his decision was the

vital fact that the Budget, as presented, was incomplete. The Chancellor could warn the House that supplementary Defence estimates would be presented during the year, the cost of which would be met out of fresh borrowing. He was unable to give the House any idea of their magnitude, and so the total amount of Defence borrowing during the present financial year is equally indefinite. This may be one reason for the Chancellor's decision to resort to fresh taxation to cover his prospective deficit of £30 millions, arising solely from the current estimates, though doubtless other cogent reasons were present in his mind. To mention only one, he had to look beyond the current year to the time when Defence expenditure reached its peak, and also to the future enhanced cost of the annual maintenance of the country's war material. This precluded him from exhausting his borrowing powers prematurely.

The Chancellor, therefore, announced that the standard rate of income tax would be raised from 5s. to 5s. 6d. in the pound, with certain concessions with respect to small incomes and the allowance for the wear and tear of industrial plant and machinery. This would yield him £22·2 millions in 1938-39, and £26·5 millions in a full year. The duty on petrol would be raised from 8d. to 9d. a gallon, with an excise duty of 9d. a gallon on power alcohol. These changes would yield £5·3 millions this year. The tea duty would be raised by 2d. per lb., to yield £2·7 millions this year, and £3·2 millions in a full year. These tax increases enabled the Chancellor to cover his deficit of £30 millions, leaving total estimated revenue at £944·7 millions, against estimated ordinary expenditure of £944·4 millions.

The Money Market.—The opening of the new financial year means that Treasury bill issues are once more running in excess of maturities, and during April the total issue of Treasury bills by tender rose from £512 to £545 millions. Nevertheless, money has remained easy, with the clearing banks still ready to buy all the bills which the market were able to offer to them. On the other hand money may be a shade less easy during May, for the market obtained very meagre allotments of Treasury bills during February, and so is likely to be short of maturities. Thus, if the market has heavy payments to make for new Treasury bills, it may also be a little short of cash.

This year the Easter expansion in the note circulation amounted to about £17 millions. This was considerably in excess of last year's expansion of only £10.0 millions, but is nearly the same as the Easter, 1936, increase of £17.7 millions. Last year spending by the public was affected by the fact that Easter fell very early, and so the 1936 growth in the note circulation affords a better comparison. When allowance is made for the rise in prices and railway fares since two years ago and also for this year's fine weather, it looks as if this year's Easter activity was certainly not greater than that of two years ago.

Another significant fact was that during the week including Easter itself, the note circulation contracted by £1.7 millions. Usually whenever Easter falls in April there is a slight increase during this week, for the holiday currency does not return to the Bank of England until three or four days have elapsed since Easter. Thus this year's movement, though small, is abnormal. Taken in conjunction with the simultaneous rally in the franc it suggests that there has been a certain amount of French dishoarding of British currency.

The Foreign Exchanges.—Markets were influenced during April by the better political atmosphere following the Anglo-Italian Agreement, and more particularly by President Roosevelt's announcement of his new programme and by the tentative recovery in France stimulated by M. Daladier's assumption of office. The New York rate was inclined to weaken, with sterling rising temporarily at Easter to \$5.01, though it has since returned to \$4.98½. This movement was due both to sales of dollars against francs and to a tendency for funds to be withdrawn from New York on the ground that President Roosevelt's new programme was inflationary in character. The Paris rate, though erratic, strengthened from over Frs.160 early in April to Frs.158 in the middle of the month. This rally was chiefly due to a general covering of short positions, but it enabled the French authorities to add to their gold reserves, perhaps by as much as £10 or £15 millions. Unfortunately a subsequent reaction caused the whole of these gains to be lost once more. Indeed at one time a rumour that a fresh devaluation of the franc was intended sent the rate back to Frs.167, and although M. Daladier's new programme dispelled any such fears, the rate settled at Frs.163 at the end of the month, with the tendency

still rather weak. Guilders were inclined to strengthen as the result of transfers of funds from New York to Amsterdam, but Swiss francs became weak owing to sales of Swiss francs against French francs. Belgas have moved in sympathy with the dollar, with the Brussels-New York cross-rate well within the gold points. April witnessed an improvement in the rate for "free" Argentine pesos, the total recovery since March being from 20 to 19 pesos to the pound. This rally was inspired in its final stages by rumours of an impending Dutch-Swiss loan of Fl.20 millions to Argentina. It is doubtful if the free rate will improve much more, as otherwise the recent reduction in the Argentine exchange surcharge would become effective, thereby encouraging fresh imports into Argentina at a time when her exports have been affected by the drought and also by the general world recession. Finally April witnessed a slight drop in the rupee from 1s. 6½d. to 1s. 5½d. This is the first change in the rate for several years, and is due to the recent shrinkage which India, in common with other primary producing countries, has suffered in her export trade. It had previously been noticeable that the Indian Reserve Bank's "balances abroad" had been diminishing in size, and so this weakness of the rupee is not surprising.

The Stock Exchange.—April has been a month of moderate but hesitant recovery, following the March depression caused by the German absorption of Austria. In the gilt-edged market, 2½ per cent. Consols fell from 74¾ at the New Year to a low point of 71¾ on March 16th, and have since recovered to 74¾. Similarly War Loan fell from 101½ at the New Year to 99½ on March 16th, and then rose to 103 on April 22nd, immediately before it went "ex dividend." Movements in the home rails and industrial markets were naturally more pronounced. Measuring again from the New Year, the decline in home rails up to March 16th was 13.3 per cent., and the subsequent recovery 5.4 per cent. Industrials fell by 16.9 per cent. up to March 16th, and have since risen by 12.2 per cent. Market experience during April makes it clear that the March collapse was only justified by political fears which have since proved to have been greatly exaggerated. On the other hand, while the Budget caused little reaction, there was no real recovery during April, partly because the middle of the month included a three weeks' account and partly because investors were holding back pending the opening of

the Budget. The market was also taking a cautious view of American prospects, and was trying to weigh the likely effects of President Roosevelt's new programme against the continued absence of any improvement in the relations between Washington and American business interests.

In the more specialised section of the Stock Exchange, oil shares improved during the month, in spite of the Mexican expropriation of foreign oil interests. Rubber shares also rallied sharply early in the month. Gold-mining shares have improved consistently, but base-metals were stagnant after an initial rally.

Overseas Trade.—The March returns recorded an increase in both imports and British exports, but reference to the returns of previous years suggests that this was largely a seasonal movement :—

| | Feb., 1937 | Mar., 1937 | Feb., 1938 | Mar., 1938 |
|---------------------|------------|------------|------------|------------|
| | £ millions | | | |
| Imports ... | 71.7 | 82.9 | 75.7 | 84.9 |
| British Exports ... | 38.6 | 43.5 | 37.5 | 42.1 |
| Re-exports ... | 6.9 | 6.7 | 5.5 | 5.5 |
| Total Exports ... | 45.5 | 50.2 | 43.0 | 47.6 |
| Import Surplus ... | 26.2 | 32.7 | 32.7 | 37.3 |

March raw material imports were £24.0 millions against £25.0 millions in March, 1937. The prices of most primary products, however, have fallen during the past year, and so this shrinkage in the value of raw material imports does not denote any general contraction in their volume. An examination of the returns shows that while there has been a decrease since last year in the volume of imports of textile raw materials, imports of iron ore, petroleum, wood pulp, rubber and metals are greater in volume. There has also been an increase in imports of iron and steel manufactures and machinery. Exports of British manufactured goods decreased in value from £34.2 to £33.5 millions, and there was also a decrease in their volume. Exports of textile goods were generally smaller in volume, and so, too, were exports of iron and steel manufactures and locomotives. Leather boots and shoes, machinery and motor vehicles registered an improvement. Coal shipments were slightly lower than a year ago.

The returns for the first quarter of the past two years are summarised below :—

| Description | Jan.-Mar., 1937 | Jan.-Mar., 1938 | Increase (+) or Decrease (—) |
|---|--------------------|--------------------|------------------------------------|
| | £ mn. | £ mn. | £ mn. |
| Total Imports | 229.9 | 245.2 | +15.3 |
| Retained Imports | 211.1 | 229.4 | +18.3 |
| Raw Material Imports | 72.8 | 72.2 | — 0.6 |
| Manufactured Goods Imports | 58.1 | 65.2 | + 7.1 |
| Total Exports, British Goods | 121.1 | 120.9 | — 0.2 |
| Coal Exports | 7.5 | 8.8 | + 1.3 |
| Iron and Steel Exports | 10.6 | 11.6 | + 1.0 |
| Cotton Exports | 16.7 | 14.1 | — 2.6 |
| British Manufactured Goods Exports | 93.7 | 95.8 | + 2.1 |
| Re-exports | 18.8 | 15.8 | — 3.0 |
| Total Exports | 139.9 | 136.7 | — 3.2 |
| Visible Trade Balance | — 90.0 | —108.5 | —18.5 |

Imports continue to run ahead of last year, the main increases being in food, iron ore and scrap, iron and steel, and oils, fats and resins. Exports are somewhat disappointing, particularly as regards textiles, but judged by value, shipments of coal, iron and steel, machinery and vehicles were better than in the first quarter of 1937. The adverse trade balance continues to grow. Generally the returns give evidence of the world recession in trade, combined with rearmament activity at home.

Commodity Prices.—While wholesale prices in England and the United States displayed during April a fair degree of stability there was no sign of any real recovery. The announcement of President Roosevelt's new programme, with its tendency towards freer Government spending and further credit expansion, was followed by a temporary rally, but this gave place to a fresh reaction the following week. Thus commodities have not followed securities in their recovery from the disturbances of the middle of March. On the other hand, if President Roosevelt's new programme really succeeds in bringing about a revival in American business, world commodity prices will ultimately rise. It is far too early for such a movement to begin, even if it is going to happen some time in the future as the result of Washington's reorientation of economic policy. British wholesale prices were unchanged

during April as a whole at 122·9 (September 1931 = 100), and American wholesale prices fell from 117·7 to 116·9. The French index number rose from 139·4 to 140·1, but this latter figure is not much higher than that of 137·4, current at the New Year, before the latest depreciation of the franc. In general there is no sign of any recovery in world prices, which are now roughly 10 per cent. lower than they were a year ago.

The official British cost-of-living index number fell during March from 56 to 54 per cent. above its pre-war level. This decline is purely seasonal, and the figure is still three points higher than it was on April 1st, 1937. The official retail food price index fell during March from 40 to 37 per cent. above its pre-war level, this movement again being seasonal. It is still two points higher than it was on April 1st last year. During the past two years the cost of living has risen by 6·9 per cent. and retail food prices by 8·7 per cent. The greater part of these increases occurred during the earlier of these two years, for during the past year the downward trend of wholesale prices has largely checked the upward tendency of the cost of living. There is, however, as yet little sign of any fall in retail food prices or the cost of living, even though wholesale prices have now been falling for the best part of a year.

Home Reports

The Industrial Situation

March and April have given evidence of a further though moderate recession in business. The *Economist's* March index number of business activity recorded a decline since February of $1\frac{1}{2}$ points, and the total drop during the preceding twelve months is from 111 to 108 $\frac{1}{2}$. Such later indications as are available suggest that April may record a further decrease. The business situation during April was affected by the Easter holidays, but it is ominous that in the textile trades many firms closed over Easter for an extended period. It is still true to say that, so far as England is concerned, activity in the rearmament industries is contending against the influence of the general world recession, and that, as might be expected, the latter is proving the stronger. The Budget, after its first shock, does not seem likely to have any serious effect upon trade.

Reviewing the latest data, the April unemployment returns, which owing to Easter were compiled for an unusually early date in the month, show an insignificant improvement in employment over March. This is tantamount to a deterioration, for there is normally a seasonal improvement in April. The export coal trade remains dull. Demand for iron and steel is less than that of last year, and the March increase in production over February was less than that of 1937. Still, at the end of April certain sections of the industry were reporting a slightly better tone. Engineering remains good, but the shipyards are in need of more orders for commercial tonnage. The textile industries remain disappointing, conditions in Lancashire and Yorkshire being very bad. There is the usual spring improvement in the clothing trades, but the hosiery and boot and shoe industries present a less reassuring appearance.

Among more general indications, wholesale prices displayed greater stability during April, but with no sign of recovery. Railway goods and coal traffic receipts are not quite up to last year's level. There has been the usual seasonal contraction in raw material imports since the closing months of last year, but the March returns compare favourably with those of March, 1937, when allowance is made for the intervening fall in prices. Exports of British manufactured

products are not so good as a year ago. The shipping freight market remains dull. The market in industrial chemicals is quiet.

There are one or two signs of some decrease in home consumption. The March retail trade returns were in value 3.7 per cent. below those of 1937. A year ago the Easter shopping was concentrated in March, and this of course exaggerates this year's decline. On the other hand, retail prices are higher than a year ago, and so the latest returns may indicate a falling-off in volume. Easter currency withdrawals were no greater than in 1936, the most recent year when Easter also fell in April. In view of the rise in prices and fares since two years ago, the volume of spending this year may have been not quite up to the 1936 level.

Abroad, trade in the United States has so far failed to respond to President Roosevelt's new inflationary programme, but it is still far too premature to expect the President's announcement to have had any effect upon business. It is equally premature to determine if M. Daladier's assumption of office will be followed by recovery in France. Business in Belgium is a little better than a month ago, and conditions in Holland show little change. Germany remains active, and trade in Sweden is no worse. Denmark strengthened her financial position during the past year. In the Empire, Australia has not yet been affected seriously by the world recession, except for the fall in the price of wool, but Canada reports a moderate set-back since the New Year. In India the recent weakness of the rupee is the inevitable consequence of the world recession, which has affected Indian exports in common with those of other primary producing countries. In South America Argentina is feeling the effects of the partial failure of this year's maize crop, but her financial position remains strong.

While as yet there is no evidence of recovery either at home or abroad, in certain respects the outlook may be changing. The Anglo-Italian Agreement and the conversations of France with England and Italy hold out hopes of an easier international political situation. President Roosevelt's new move away from deflation and towards inflation may be the prelude to fresh recovery in the United States, though at the best this will take time to develop, even if its basis can be described as sound. France may be on the threshold of recovery, similar to that brought about by M. Poincaré over

ten years ago. All these are as yet no more than possibilities, and many doubts still remain. Still, the long-term outlook may be a little better to-day than it appeared to be only some seven or eight weeks ago.

Agriculture

England and Wales.—According to an official report, conditions were very favourable in March for spring cultivation, and good progress was made with all farm work. Spring sowing is well advanced, and germination was then satisfactory. Autumn-sown crops were in good condition, but rain was needed even a month ago. Conditions for lambing have been very satisfactory, and the fall of lambs has been good. Ewes were in good condition. Prospects for hill lambing were good. Pastures began to grow during March, but were already in need of rain. All classes of stock did well up to early April, and milk yields were about normal for the season. Supplies of fodder should be sufficient for requirements.

Scotland.—The remarkably dry weather during April enabled sowing and planting to be completed under extremely favourable conditions, but the ground is very dry and moisture with a spell of mild weather is needed to advance growth. Notwithstanding this, crops are looking well in practically every district, and work generally is well forward. In the produce markets wheat has been in small supply and firmer, but barley and oats have been dull. Potatoes have met a rather better enquiry, and prices have been steady. In the livestock markets best quality bullocks were firm but heavy, and secondary animals tended easier. Supplies of sheep were up to average with rates rather in favour of buyers.

Coal

Hull.—The general position is unchanged and quiet, with very little new business passing. Schedule prices are undoubtedly fixed on too high a basis, and even though collieries are willing to make concessions of 1s. 6d. to 2s. per ton against definite enquiries for most countries, this has not so far led to any revival in enquiry. Even lower prices would seem to be necessary if new business is to be transacted in any volume. Quite a large number of collieries are having to resort to short-time working.

Newcastle-upon-Tyne.—There is more enquiry both for prompt and forward delivery. Business, however, is only moving slowly, as buyers are holding off in anticipation of lower prices. The coke market remains quiet, and stocks in sellers' hands are increasing to abnormal proportions.

Sheffield.—Inland demand is rather quieter, as industrial needs have fallen off slightly. Export trade is dull, and enquiry for forward account is disappointing. Small coal for coke and electricity works is in good demand. The mild weather continues to hamper business in household fuels, and stocks are accumulating.

Cardiff.—The South Wales coal market is very quiet. The volume of enquiry circulating shows no improvement, and only a small amount of business is being transacted. The general undertone is consequently easy, but prices remain practically unchanged. Best large coals are steady, but inferior types, all classes of smalls, duffs and sized coals, and coke are freely offered and dull.

Newport.—Foreign coal shipments during March amounted to 195,000 tons, compared with 187,000 tons in February, and 182,000 tons in March, 1937. Dock shipments, foreign and coastwise, totalled 288,000 tons, against 294,000 tons in February, and 254,000 tons a year ago.

Swansea.—The anthracite market continues to move very slowly. Best qualities are receiving very little attention, with the exception of small sizes, which are firm. This is mainly due to the North French market being practically at a standstill, so that best qualities which are usually taken there are plentiful and disclose a very unsettled tendency. The opening of the Canadian season has strengthened the position of the third and inferior anthracites, which are now very well placed, and prices are steadily held. The steam coal market shows no improvement.

Scotland.—The market is very dull. Home demand is slack owing to seasonal influences, while prompt business with Continental countries is scarce, as importers had difficulty in disposing of their stocks during the winter months. Foreign enquiries for coal for forward delivery, however, are moderately satisfactory in volume, but as is shown by the difficulty in fixing contracts, these are circulated merely for the purpose of testing prices. Meanwhile the export market is idle, and

prompt orders are very scarce, especially in the East Country areas. Large coals and washed nuts are offering freely in Fifeshire and the Lothians. In the West of Scotland all sizes of nuts are in good demand for inland consumption. Large coals are plentiful in Lanarkshire and Ayrshire where steam qualities are particularly dull.

Iron and Steel

Birmingham.—The tone of the market is slightly better. Some consumers are buying ahead, and deliveries against contracts have also improved slightly. This is encouraging in view of the heavy imports of continental material pushed through in March to escape the higher duties which came into force on April 1st. Pig-iron prices come up for revision on June 30th, and consumers show no anxiety to buy. Steel bar and strip prices fixed to December 31st, 1938, are to be increased by 15s. per ton, which will be returned to those consumers who join a Loyalty Rebate Scheme, which is being inaugurated forthwith. The rebate scheme has been applied to the heavy side of the iron and steel trade for some years, and its application to the numerous small buyers will be watched with interest. The heavy sections and plate mills continue busy, but business in bars and strip is slack.

Newport.—Iron and steel imports increased considerably during March to 32,400 tons, compared with 20,400 tons in February, and 15,800 tons in March, 1937. Exports amounted to 15,800 tons, against 9,000 tons in February and 16,400 tons a year ago.

Sheffield.—Production in the basic steel section is heavy, and furnaces are still working to capacity. Conditions in the acid carbon and alloy steels are rather quieter, mainly because firms over-bought during the difficult times of last year. Motor industry requirements show a slight decline. Work in heavy forgings and castings is brisk, with an accumulation of orders on hand. Supplies of basic steel scrap appear to be in excess of current requirements, and business is dull.

Tees-side.—Nearly all sections are much quieter. Manufacturers of heavy steel plates, joists and sections have good order books, but light steel products are much less active, and rollers would welcome new business. Current production of pig-iron is in excess of market needs, and most consumers

have accumulated reserves of iron, while makers have also had to put a good deal of their production into stock. Seasonal expansion of business has not yet developed, but it is probable that as foreign imports of iron have now ceased, stocks will decline and more active conditions return.

Wolverhampton.—Firms working under the rearmament programme continue to be fully employed.

Swansea.—The tinplate market was decidedly quiet during March. Demand was weaker, especially for export, and orders received were less than the curtailed production. The lack of demand and the rapid reduction in the number of unmilled orders on makers' books only allowed the industry to operate at approximately 46·23 per cent. of capacity.

Glasgow.—Enquiry is better, and although there is considerable room for improvement in export trade, business tends to improve in volume. The most active branch at present is steel making. Producers have a good many orders on hand, especially for plates, which are in very strong demand. There has been a welcome revival in the demand for sheets for the motor car industry. Home demand for tubes has also improved. Export business, however, is still quiet. Bar iron makers and steel re-rollers are in need of orders. In the pig-iron industry there are sixteen furnaces in blast, and though some makers have accumulated stocks, outputs are on the whole being well absorbed.

Engineering

Birmingham.—The cycle and motor cycle trades report better business. Sales have been helped by good weather and a late Easter. There has also been some improvement in the motor industry, but demand is still sluggish. The heavy industries report a decline in production and the tube trade is quiet. Manufacturers of drop forgings are still fairly well employed. The building trade continues active.

Bristol.—The easing of the European situation has restored confidence in the general engineering trade, and orders which have been pending have now been placed. The building trade has improved, and there has been a good demand for painters. Firms engaged in the aircraft section have been extremely busy, and they are in urgent need of skilled men.

Coventry.—Production of motor cycles this year seems likely to exceed last year's figures, and factories are busy. The pedal cycle industry is also active and there has been some improvement. Export trade is very satisfactory. Demand for motor cars shows a slight improvement. Drop forging manufacturers remain busy. Machine tool makers are fully employed and have ample work on hand.

Leeds.—The recent improvement in the engineering trades is well maintained.

Leicester.—Home trade is still very good, and overtime is being worked in some sections.

Manchester.—The machine tool trade continues to work to capacity and orders booked during March were particularly good. In other sections, however, there has been a decline in demand as regards general trade. Orders received are directly or indirectly related to the Government rearmament programme. This lull in business is thought to be only temporary, and the flow of new orders should be resumed before long.

Sheffield.—Conditions in the general engineering trades are good. The recent slight falling-off in new business continues, but in many cases this is welcomed as it is enabling manufacturers to catch up with arrears of deliveries. Most factories are well employed and have good orders on hand. The seasonal trade in agricultural and garden tools is well up to average. Engineers' small tools and precision tools are in brisk demand. Export trade shows a small decline compared with a year ago.

Wolverhampton.—Engineers generally are busy. The electrical section is still very active. There is a good demand for passenger and commercial vehicles, but suppliers of parts and accessories for motor cars find business rather quiet. Orders in the electrical battery trade are also appreciably less than at this time last year.

Glasgow.—There is still a dearth of new orders for mercantile ships. Builders on the Clyde who cater for this class of work have a good many contracts on hand, however, which they booked some time ago, and their yards are well employed. At the moment about eighty mercantile vessels are on order, representing a tonnage of 435,000 tons gross. The

Clyde has now fifty Admiralty vessels of various types on order, and regular work is assured for some time ahead. The machinery, turbines and boilers required for a number of other ships which are being built elsewhere are being supplied by firms in the West of Scotland, and prospects for marine engineers are fairly good.

Metal and Hardware Trades

Birmingham.—Business shows little change. The cold rolled brass and copper section remains quieter. There has been some improvement in the tube trade. Exports are difficult, and trade is still influenced by American conditions. There is slightly more enquiry for raw material, but buyers are still working from hand to mouth. No general improvement is expected, although the political outlook is more satisfactory.

Sheffield.—The cutlery trade has improved slightly, but there is still much leeway to be made up, and conditions are generally quiet. The pen and pocket knives, scissors and safety razor blade sections are among the most active. It is anticipated that the "holidays with pay" movement will benefit the shipping companies, hotels, boarding houses and restaurants, and this in turn should stimulate the demand for cutlery and flatware. Business in sterling silver and E.P.N.S. ware is fairly satisfactory.

Wolverhampton.—The sheet metal trades are active, and there has been some increase in the demand for hollow-ware. Hardware is in fair demand. A better tone prevails in the lock industry, and the edge tool trade is good.

Chemicals

The market has been rather quiet, and the unsettled international situation affected certain sections. New enquiries for industrial chemicals have been limited, although contract deliveries are on quite a good scale. A very fair demand has been reported for fertilisers, and interest in most wood distillation products has been maintained. Business in dyestuffs has been small. Pharmaceutical chemicals have been quiet, though interest in citric and tartaric acids has been fair. With the exception of a good seasonal demand for refined coal tar there has been little trade in coal tar products.

Cotton

Liverpool.—The past month has been uneventful in the cotton market, and American futures on April 19th at 4·84d. per lb. showed little change from the corresponding quotation for the previous month. Trade reports are universally poor, but despite the continued falling off in mill consumption prices for raw cotton have been maintained. Large quantities are still being pledged in the 9 cent Loan, and an additional explanation of the failure of the "bearish" situation to have a material effect on prices is the relatively small offering of cotton for sale. The consumption of American staple for the season is estimated at 11,000,000 bales, and the supply at 17,500,000 bales. Of the latter a proportion is untenderable. Good quality "outside" growths—the Brazilian crop in particular is calculated at 1,000,000 bales—will, however, counterbalance any deficiency in the quality of the American product. Planting in the United States has been somewhat retarded by unfavourable weather conditions.

Manchester.—The markets for cloth and yarn have been extremely dull during the past month, and there is very little business passing. A large amount of machinery has been stopped in consequence. There is no improvement in sight, and the outlook is gloomy. Such small business as there is consists for the most part of small lots for the home and foreign market, but no section merits any special mention.

Wool

Hawick.—Dull conditions continue in the Border tweed trade, but it is hoped that the recent improvement in the international outlook may induce more confidence in the home market. The hosiery trade is at rather a low ebb, notwithstanding weather conditions favourable to the purchase of outer-wear, while both spinners and dyers are in need of orders.

Other Textiles

Dundee.—Trade has been extremely quiet and unsatisfactory. The placing of further orders for sandbags has made little impression on the market. Spinners and manufacturers show no disposition to lower their prices to induce buying, and in many cases production has been reduced.

Dunfermline.—The Fifeshire linen trade continues dull, and the demand for manufactured goods is mostly confined to small lots. Prices of flax and tow are steady, and fibre is being offered sparingly, but the raw material end is nevertheless quiet. Wet spun yarns are in fair demand, but there is no improvement in the case of dry spun flax and tow descriptions.

Clothing, Leather and Boots

Bristol.—The boot and shoe trade shows no change. There has been a seasonal decrease in unemployment in the clothing trade. The demand for certain types of skilled workers continues.

Leeds.—This is the busiest time of the year in the clothing trades, and factories are well employed.

Leicester.—The outlook in the boot and shoe trade is considered to be brighter, although orders are not coming in as well as was expected. Trade in most branches of the hosiery trade is bad, but there has been a little improvement in the better class outer-wear section.

Northampton.—The prolonged period of fine weather is thought to be the main cause of the falling-off in retail business in boots and shoes. Manufacturers report a better volume of orders for immediate delivery, but forward business is still below average. Leather firms anticipate an improved home demand after Easter. Export trade is fair, and the outlook is a little brighter.

Shipping

Bristol.—A record quantity of imports and exports passed in and out of the Port during the financial year ended March 31st. Foreign imports of a number of commodities were higher than in any previous year. The trend of trade has been generally satisfactory, and stocks in the Authority's warehouses are normal.

Hull.—Enquiry for tonnage is very limited, and the immediate outlook is not encouraging. Extremely low rates rule for practically all directions.

Liverpool.—A steady undertone has prevailed in the freight market. Rates have been maintained at firm levels.

Newcastle-upon-Tyne.—Tonnage has been withdrawn by "laying up" both here and abroad, but the market remains lifeless. The fall in rates, however, seems to have been arrested.

Southampton.—Seasonal shipments of Australian and New Zealand fruit are now arriving at the docks in considerable quantities, one consignment dealt with in April totalling 51,500 boxes of apples and pears. Increasing recognition of Southampton's importance as a distributing centre for such produce to the South of England has led to a consistent increase in the amount of this traffic dealt with during the past few years. Another seasonal traffic now beginning to assume big proportions is tomatoes from the Channel Islands, the early shipments being of the Guernsey hot-house variety. In the course of a year Southampton deals with more than 5,000,000 packages of tomatoes from Guernsey and Jersey, in addition to substantial imports from the Canary Islands, etc. Splendid rail facilities for the speedy distribution of this produce to all parts of the country have greatly fostered the trade, and last year the Port ranked second amongst British ports for the importation of tomatoes. This month the east-bound movement of passengers on the North Atlantic routes becomes much more pronounced with the bringing into operation of augmented sailing schedules by many of the important shipping companies engaged in this traffic. On May 10th another large liner will take her place in this trade, when the Holland-America Line's new *Nieuw Amsterdam*, 33,000 tons gross, calls at the Port en route to New York from Rotterdam.

Cardiff.—The freight market is quiet and shows little improvement.

Newport.—Freights have again fallen to a very low level. The supply of tonnage remains in excess of the demand, and the proportion of foreign tonnage has tended to increase still further. In the absence of co-operation among the shipping interests of the chief countries, freight rates are likely to fall to levels which will make Government intervention once more inevitable.

Swansea.—Business has again been extremely quiet for all directions. The coasting market has been particularly slack, as France has been buying very restrictedly. Owners have dropped the minimum rate schedule, so that the smaller

coasters may compete with the larger sized steamers. For the Bay and Mediterranean business is extremely quiet. Shipments to Canada have started again, but charterers' requirements for this direction are mostly filled for the season.

East of Scotland.—There were only about a dozen vessels on loading turn at the Forth Coaling Ports on April 20th. Leith dock returns for March showed a marked decrease both as regards coal shipments and grain imports, but other lines mostly showed small increases. The freight market continues quiet, with tonnage plentiful.

Glasgow.—Tonnage is still in very restricted demand for coal-carrying purposes. A few enquiries are circulating in the Baltic section in which shippers are mainly interested in Danish and Finnish ports. Rates, however, are still very low, and show practically no indication of any tendency to recover. The Mediterranean is extremely quiet, while the Bay, the near Continent and South and North American sections are bare of orders.

Foodstuffs

Liverpool, grain.—Some recession in wheat prices was in evidence during the first few days of April, but a recovery to 6s. 10d. left prices practically unaltered on the month. The United Kingdom demand for Australian and United States hard winter wheat developed suddenly, but stocks afloat and in store on April 1st were still some 25 per cent. below the six years' average. An improved Continental demand is expected following reports from Holland and Belgium that millers' stocks are low. The United States winter wheat crop is, in the Bureau report of April 1st, estimated at 725,700,000 bushels, and although no reference is made to condition, damage by frost is reported. The actual production for 1937 was 685,000,000 bushels. Seeding preparations in Canada, where weather condition are favourable, are proceeding; seed scarcity, however, suggests a moderately smaller acreage. Drought conditions still persist in Mediterranean countries, but good rains have fallen in the eastern agricultural regions of Australia. Maize prices closed at 5d. up on the month at 7s. per cental. The market has presented a firm tone throughout the period, and selling pressure has been absent.

Liverpool, provisions.—A quiet but steady market in Continental bacon has ruled, with prices dear for the time of the year, and there is a firm market in American hams. Lower prices have brought an improved demand for lard, while Empire and Continental butter prices are better. There has been a good demand for cheese. Canned meats are firm, with prices unchanged, while canned fruits have experienced a generally quiet market at steady prices.

Fishing

Brixham.—Landings of all classes of fish have been well up to average. Prices have been higher on good seasonable demand. The high ruling prices continue to attract Belgian trawlers to land catches at this port.

Hull.—The voluntary laying up scheme still continues, and the available supplies throughout March were consequently much below normal. Generally speaking, prices have been higher than a year ago. The shortage of flat fish of all kinds remains acute.

Penzance.—The mackerel fishing during the past month has been very fair among the East Coast boats. Some good shots have been taken, and prices have been steady at about 7s. to 12s. per box of 70 fish. Cornish liners have landed some nice trips during the latter part of the month from the deep water, making as much as £108 in a week. Rays and skate are in good demand, and prices are, on the whole, high, rays fetching up to £7 per kit, and skate up to £8 per score. The very fine weather has been of great assistance to the fishermen.

Scotland.—Small quantities of herring are still being landed at the Forth ports, and prices are proving remunerative. Some of the drifters and ring net boats operating on the West Coast are getting fair results, but generally speaking the season is over for the present. The line and seine net boats engaged in the white fishing have been moderately successful, and landings have met quite a steady trade.

Other Industries

Carpet-making.—Kidderminster reports that carpet manufacturers are still working considerable short time, the majority of the departments operating only three days a week. Deliveries

of spring goods, however, have been quite up to the level of former years, but makers have been able to supply most requirements from their stocks. There are distinct signs of improvement in the trade.

Paper-making and Printing.—Bristol reports that employment in all branches of the industry is regarded as satisfactory.

Edinburgh reports little change in the paper-making trade, but it is hoped that the better international outlook may help the demand. The printing branch continues active.

Timber.—Hull reports that although consumption and inland demand continues good, the market so far as importers are concerned remains very quiet. In many cases users are preferring to convert larger sizes, rather than make fresh purchases. Since the issue of the Second Schedule of Russian prices early in April, which met with practically no response, no further concessions have been made by these sellers. As, however, in order to utilise the ships which they have allocated for timber carrying, they must sell at least their f.o.w. goods soon, it is possible that further reductions will be made. Scandinavian shippers have agreed to hold off and not press for sales at less than the prices which they have been asking for some little time, as they feel that reductions on their part would merely hasten further concessions by the Russians without benefit to either party.

Overseas Reports

Australia

From the National Bank of Australasia Limited

Early rain is needed in the interior of New South Wales, Northern Victoria, South-Western Queensland, and the outer areas of West Australia. Otherwise the pastoral conditions for the coming winter will be very difficult in those parts. Wheat sowing has been delayed pending autumn rains, but provided there are good falls soon, full areas should be seeded. Disturbances abroad have produced slight reactions, but industry and trade and building continue active. Imports for the eight months to the end of February total £76 millions and exports £83 millions sterling, compared with imports of £61 millions and exports of £83 millions sterling for the similar period of last year.

Canada

From the Imperial Bank of Canada

After resisting recessionary influences for some months general business activities in Canada slowed down definitely during the first quarter of 1938. The chief factor in the change has been the decline in export trade, particularly to the United States, experienced during the past six months. Also there has been the decline in prices of metals and other commodities and the effect of high shipping rates upon export trade to Europe and the Far East, which has affected exports of lumber particularly. Political and economic developments abroad have had an effect also on public confidence, as indicated by the bond and general security markets. The result has been a falling-off in the movement of merchandise, as indicated by freight-car loadings; a decline in industrial activities, as shown by employment; and a contraction in domestic trade, as revealed by banking transactions. Nevertheless, industry and general business are still comparatively prosperous. The general business index is 9 per cent. above the normal (1926) as compared with 15 per cent. a year ago. Much now depends upon international political developments in relation to world trade and also upon the depression in the

United States. Any indication of an improvement in the basic American industries would have an immediate effect in Canada.

India

Bombay.—The raw cotton market has been weak owing to forced liquidation, but the tendency of prices to diverge from the American parity induced a certain amount of fresh business, consisting mainly of the switching of hedges and straddle sales from Broach April-May to July-August. A recent cable states that the market has become firmer. European purchases of Indian cotton have been spasmodic, but Japan is beginning to take greater interest. Indian mills are constant buyers of stapled styles. More than two-thirds of the Broach crop has already been marketed. The piece-goods market has been quiet, but there has been a small amount of new business in British goods. There is a general lack of confidence in the outlook for Japanese goods, and forward trade is hardly being attempted. Dealings in Indian goods have been chiefly confined to retail sales, the present difficulty being the higher prices asked by the mills to allow for the recent wage increases. There are also rumours of labour troubles in Ahmedabad. Egypt has lately raised the customs duty on Indian piece-goods, for which she was a good market. Yarns are quiet, with no improvement in demand.

Calcutta.—The raw jute market has been quiet, with a downward tendency. Prospects of a settlement of the working hours dispute between the Association and non-Association mills are uncertain. Stocks of manufactured goods are increasing, and raw jute prices have weakened in consequence. Large buyers are absent, but the mills are buying small lots. The baled jute market has also been quiet. In hessians consumption demand for burlap has been slow and prices have eased. Local stocks have risen sharply. Prices of heavy goods have also been marked down. Mills were keen sellers but the market could not absorb the quantities offered. There is little change in shellac. Brokers have disposed of a large proportion of spot stocks in preparation for the new crop. Foreign demand has been slow. Lately sellers have shown reserve on reports that 25 per cent. of the Bysaki crop has

been ruined by excessive heat, but such reports should be regarded with reserve. The tea market is closed. Prices for all classes of hides have further declined.

Burma

Rangoon.—Exports of rice from Rangoon have increased, but Burma's total is lower. Shipments to Europe are much the same as last year, while those to China have risen from 16,000 to 56,000 tons, and those to Japan have fallen from 34,000 tons to nil. Exports to Madras and Southern India are the same, but shipments to Bombay are down by 36 per cent., and those to Calcutta by 70 per cent. Millings show no improvement in quality, and softness prevents polishing. On the other hand, reports from the jungle of a firm paddy market are stiffening the local rice market. The European timber market is very quiet, with stocks ample, and there is no improvement in the Indian market. This should be the main selling season for hardware, but tightness of money has restricted demand. This was anticipated and dealers' stocks and commitments are light. The trend of prices continues weak, keeping bazaar quotations below dealers' costs.

Eire

At the end of March all farm work was at least a month ahead, compared with last year. Pastures made excellent progress. Livestock thrive well, and were reported to be in good health and condition.

Supplies of spring wheat for seed were both scarce and dear. Oats mainly for seed were in fairly plentiful supply on most markets. Scutching of flax was nearly completed. The yield and quality of the fibre available during March varied from rather poor to medium, as the better lots had already been sold. Considerable supplies of potatoes were on hand at most farms at the close of the month. Demand was slow, and a good part of the surplus will probably be used for feeding to livestock.

Winter wheat and earlier sown spring wheat made good progress.

Numbers of cattle offered at the various centres were rather lower than average, many owners holding off in the hope of still higher prices. Apart from outbreaks of sheep scab

in two counties flocks were reported to be in good health. Lambing has been practically completed, having been carried out under exceptionally favourable weather conditions. The total number of pigs marketed during March was lower than last year. Breeding stocks are well maintained, with a continued tendency to increase.

France

From Lloyds and National Provincial Foreign Bank Limited

The trade returns for the first quarter of 1937 and 1938 are summarised below :—

| | First quarter, 1937 | First quarter, 1938 | Difference |
|---------------------------|------------------------|------------------------|------------|
| | Frs. millions | | |
| <i>Imports—</i> | | | |
| Foodstuffs | 2,675 | 3,006 | + 331 |
| Raw Materials | 6,035 | 6,982 | + 947 |
| Manufactured Articles ... | 1,505 | 1,720 | + 215 |
| Total | 10,215 | 11,708 | + 1,493 |
| <i>Exports—</i> | | | |
| Foodstuffs | 787 | 894 | + 107 |
| Raw Materials | 1,791 | 2,397 | + 606 |
| Manufactured Articles ... | 2,714 | 3,711 | + 997 |
| Total | 5,292 | 7,002 | + 1,710 |

The franc value of imports has increased by nearly 15 per cent., and that of exports by more than 32 per cent., as compared with last year.

The number of registered unemployed on April 9th was 395,535, compared with 381,855 at the same time last year. There is no change in the official index number for retail prices of 34 household requisites (1914=100), which has stood at round about 690 since the beginning of the year. Railway receipts from the beginning of the year to April 1st amounted to Frs.3,329 millions, equal to an increase of Frs.727 millions or 27·86 per cent., compared with the same period last year. It must be remembered, however, that rates were increased, in July, 1937, and again in January this year, by approximately 45 per cent.

Deposits with the "Caisse d'Epargne" (Post Office Savings Bank) at the end of 1937 amounted to Frs.36,239 millions, compared with Frs.34,921 millions at the end of

1936, and Frs.36,575 millions at the end of 1935. The amounts paid in during 1937 totalled Frs.7,743 million francs, as against Frs. 6,279 millions in 1936. Withdrawals, which amounted to Frs.9,043 millions in 1936, dropped to Frs.7,513 millions last year.

Until April 18th, when a general advance in all sections took place, the Bourse has lacked interest. The formation of the new Ministry under M. Daladier was followed by a general rise of French Rentes and stocks which has since continued in spite of some profit-taking.

Le Havre.—Stocks of coffee in Havre have increased from 642,000 to 691,000 bags. Demand has shown some improvement, but arrivals have much exceeded deliveries. Prices have declined on persistent Brazilian offering.

There has been some improvement in the demand for cotton and stocks have declined from 320,000 to 304,000 bales. Good qualities are scarce and importers are likely to find difficulty in delivering contracted standards. Stocks in America are very heavy and the report of Brazilian and Argentine increases in production makes the future very uncertain. The new crop gives promise of again being heavy, and it appears doubtful whether the American Government can continue indefinitely, without embarrassment, to retire excess stocks from the market.

Lille.—The disappointing trend in the local cotton textile market persists. Prices remain fairly steady, largely because demand is nominal. Political and financial uncertainty tends to aggravate the general attitude of caution, but stocks with the dealers and big shops are very low and the general opinion is that with a period of stability a buying movement would rapidly develop. New business consists of sample orders or cover for immediate requirements. Spinners are well employed on a 32-hour week basis, working on old contracts, but delivery instructions are being withheld or delayed and stocks of yarns tend to grow.

The difficulties of the flax spinning industry continue, and probable further contractions in the Soviet exportable surplus cause grave concern. The future depends on the new crop in countries outside Russia, and the possibility of prices regaining parity with other textiles. Supplies of raw flax are estimated at 10,000 tons, or sufficient for four to five months on present production scale, but trade demand

does not improve, and stocks of yarns continue to grow. Weavers are dependent on Government contracts to maintain the present reduced level of production, and conditions tend to become worse.

Roubaix.—Demand for merino and good crossbred tops has improved slightly, the former principally for export. Noils have also been more active. Prices show little change. The combing section is slightly more active, but output remains much below normal. Stocks of tops continue to rise, and at Kilos.9,369,000 are Kilos.2,428,000 higher than a year ago. During March Kilos.3,393,000 passed through the Conditioning House, compared with Kilos.2,651,000 in February and Kilos.4,524,000 in March a year ago. The yarn section is quiet except for a fair demand for fancy yarns. Spinners badly need new orders. Piece goods manufacturers are fairly well occupied, largely on Government contracts. More confidence is now apparent following the political improvement, and if the international outlook becomes brighter all sections would revive, as retailers' stocks are low.

Belgium

From Lloyds & National Provincial Foreign Bank Limited

Brussels.—Although the position in iron and steel shows little change, a better tendency is noticeable, and immediate prospects are now more favourable. Business in all categories of coal is likely to remain quiet until the end of the month, when a solution of the price question is expected. French demand for industrial qualities is quiet, but in an effort to overcome the home market stagnation industrial coal is being exported in quantities and at prices such that it is feared restrictive measures may be imposed.

Antwerp.—There has been no improvement in business, and prices of securities have further declined. Still, the better international political atmosphere is now tending to raise prices. The wool situation remains unchanged. The quantity handled by the combing mills during the first quarter of 1938 shows a falling-off of 6,500,000 lbs. compared with 1937 and of nearly 4,500,000 lbs. for the corresponding period in 1936. The Futures market has been less active. Conditions in the grain trade are improving although consumption demand remains quiet.

Germany

The seasonal recovery continues. During March unemployment fell from 947,000 to 508,000. State investments are increasing, a large part of the new investments now being made in Austria. New steel plants and rolling mills are to be built at Linz for the exploitation of Austrian iron ore. Austrian production of pig-iron has already increased through the lighting of several furnaces which previously were standing idle. Favourable economic treaties are anticipated with the Balkan States, who now depend so much on Germany. Nevertheless, there are plenty of problems awaiting solution in Austria. Jewish capital and *entrepreneurs* were very important in Austria and these are now to be eliminated. Movement of capital is closely controlled, the desire to send it abroad being naturally strong.

The Berlin Stock Exchange has been firm with narrow movements, stimulated more by good company results than by the annexation of Austria. The new Reich loan of Rms.1,000 millions will be easily absorbed. Three Austrian banks are participating in the issue for the first time.

Holland

Annual company reports for 1937 are inclined to be cautious in their estimates of the outlook. Although results for 1937 are satisfactory and even better than in 1936, dividends have been disappointing. The fall in commodity prices is a serious blow to Holland and the Netherlands East Indies, the latter's exports having declined considerably, partly because of the more stringent restrictions on certain export products, such as tin and rubber. The repercussions are being felt in Holland. The unemployment figures are summarised below :—

TOTAL NUMBER OF FULLY UNEMPLOYED AT END OF MONTH
(In thousands)

| | | 1936 | 1937 | 1938 |
|-----------|-----|-------|-------|-------|
| January | ... | 475.9 | 466.2 | 439.2 |
| February | ... | 465.5 | 439.6 | 420.8 |
| June | ... | 378.8 | 310.6 | — |
| September | ... | 390.1 | 324.3 | — |
| December | ... | 455.2 | 437.5 | — |

Holland's foreign trade has developed satisfactorily during the first three months of 1938.

FOREIGN TRADE OF THE NETHERLANDS

(In millions of guilders)

| | Imports | | Exports | | Per cent. imports covered by exports | |
|---------------------|---------|------|---------|------|--------------------------------------|------|
| | 1937 | 1938 | 1937 | 1938 | 1937 | 1938 |
| January ... | 106 | 119 | 73 | 82 | 68.9 | 68.9 |
| February ... | 105 | 118 | 79 | 82 | 75.2 | 69.5 |
| March ... | 125 | 120 | 94 | 90 | 75.4 | 75.0 |
| Total first quarter | 336 | 357 | 246 | 254 | 73.2 | 71.0 |

The movement of shipping in Amsterdam and Rotterdam has been in harmony with the increase in foreign trade.

Commodity prices have declined still further. The index number of wholesale prices (1926-30=100) was 73.2 for March, against 74.2 for February and 75.2 for January. In comparison with September, 1936, the rise is now only 16.9 per cent., or less than the depreciation of the guilder.

Now that fear of political developments in Europe has again diminished the capital which took flight from Holland about the middle of March is returning again. The constant demand for guilders has forced the Exchange Equalization Fund to reduce its buying price for pounds sterling to Fl.8.96. The gold reserves of the Nederlandsche Bank once more show an increase. The expansion of the Bank's advances against securities with no increase of domestic advances suggests that the Equalization Fund has had to step in repeatedly to keep the appreciation of the currency within limits.

There has already been a substantial recovery in prices of bonds.

Norway

During the month ended March 15th, 1938, the cost-of-living index number fell from 172 to 171 (July, 1914 = 100). The wholesale price index fell during the month ended April 15th from 155 to 154 (1913 = 100). It is now 4½ per cent. below its highest point of last year. Unemployment decreased during the month ended March 15th, 1938, from 35,311 to 34,104. The latest return compares with one of 32,951 for March, 1937. The following table shows the Central Bureau

of Statistics monthly index number of industrial production (1935 = 100), adjusted for the varying number of working days:—

| Year | Home Industries | | Export Industries | | All Industries | |
|----------|-----------------|------|-------------------|------|----------------|------|
| | Jan. | Feb. | Jan. | Feb. | Jan. | Feb. |
| 1934 ... | 84 | 92 | 93 | 101 | 87 | 95 |
| 1935 ... | 88 | 96 | 104 | 116 | 94 | 103 |
| 1936 ... | 98 | 103 | 118 | 124 | 105 | 110 |
| 1937 ... | 116 | 123 | 112 | 122 | 114 | 123 |
| 1938 ... | 119 | 128 | 126 | 144 | 121 | 134 |

The trade returns for last March are summarised below:—

| | March, February, | | March, | | Three months | Three months |
|----------------|------------------|------|--------|-------|--------------|--------------|
| | 1937 | 1938 | 1938 | 1937 | 1937 | 1938 |
| Imports ... | 99·7 | 93·6 | 111·6 | 291·7 | 301·3 | |
| Exports ... | 62·9 | 63·9 | 66·0 | 191·7 | 207·2 | |
| Import Surplus | 36·8 | 29·7 | 45·6 | 100·0 | 94·1 | |

Both imports and exports are higher than a year ago. Norway has sold her whole stock of whale oil (107,000 tons) to Germany at a price of £12 15s. per ton, on a clearing basis. This price is said to be below production cost.

Sweden

The new Russian offerings on the timber market proved an unpleasant surprise. They totalled 105,000 standards, consisting of 90,000 standards of redwood and 15,000 standards of whitewood, but there remained still unsold about 67,000 standards of the previous February offerings, and the whole of this quantity was offered on the English market at still further reduced prices. The Russian tactics may upset the steady process of adjustment between importers' heavy stocks and market requirements, and so the desired equilibrium is remote. In fact, Swedish and Finnish sellers will have to withhold their offerings for some weeks. Still, English consumption of timber remains good, and it is hoped that sales will soon be resumed on an increasing scale. This year's sales from Sweden have now reached about 290,000 standards, while Finland has sold about 275,000 standards.

At their meetings on April 6th the European sulphite organisation, "Sulphite Pulp Suppliers" (S.P.S.), decided to reduce the export quantity for 1938 by 20 per cent. Now for the first time all the organisations within the Scandinavian paper pulp industry have adopted measures for tackling the problem of over-production under weakening market conditions.

The position in mechanical pulp shows no change, but the mills have good supplies of orders on hand for the year, so that there is no need to force the market.

Commercial iron prices have been approximately unchanged at the last recorded low level. Substantial reductions have been effected in some of the Swedish prices, which now compare more favourably with foreign quotations. Some increase in demand has been noticeable in certain sections of trade.

Denmark

The threatened labour dispute in certain industries has been settled. Direct wage negotiations between employers and men having failed, the State arbitrator, after discussions with both parties, put forward a mediation proposal, according to which the workers' wages should be increased by 6-7 per cent. and the lowest paid workers should have a further increase of 2 per cent. This proposal was accepted by both parties and a general stoppage of work was thereby averted. The running period of the new agreement is two years, and so next spring no labour conflict should be threatening. Slaughterhouse workers were not included in the general agreement, as the employers rejected the proposal, and to avoid a strike Parliament passed a Bill giving legal force to the mediation proposal.

A Defence Bill to an amount of Kr.50 millions has been voted. About half this amount is to be used for State purchases of reserves of important raw materials, and the other half for speeding up the defence programme and for payment of the State's share of the air defence expenses.

The indebtedness of agriculture has been examined by the Statistical Department, which shows that on 201,741 estates a debt lies of Kr.4,433 millions; the remaining net property amounts to Kr.2,048 millions. The debt totals 81.4 per cent. of the mortgage value and 72.1 per cent. of the total assets of the estates.

The country's net foreign debt was reduced during 1937 from Kr.1,374 to Kr.1,241 millions. The balance of international payments for the year 1937 shows expenses on current account, as distinguished from capital movements, of Kr.1,982 millions (1936: Kr.1,749 millions), and on capital account of Kr.98 millions, making the total amount remitted abroad Kr.2,080 millions (1936: Kr.1,850 millions). Income from abroad on current account was Kr.2,096 millions (1936:

Kr.1,754 millions) and on capital account Kr.79 millions, so that total income from abroad was Kr.2,175 millions (1936: Kr.1,869 millions). The surplus totals Kr.95 millions as against Kr.19 millions in 1936.

Butter has fluctuated between Kr.200 and Kr.217. Eggs have risen from Kr.68 to Kr.72, and bacon from Kr.178 to Kr.188 per 100 kilos. The complete wholesale price index dropped in March from 117 to 115; the import index fell from 121 to 117, and the export index from 110 to 105. Unemployment at the end of March totalled 22.9 per cent. of all registered workers, against 27.7 per cent. at the end of February and 28.6 per cent. a year ago.

Switzerland

From Lloyds & National Provincial Foreign Bank Limited

Owing to the international political situation, business was restricted on the Stock Exchanges. Still, prices have latterly tended to harden. Money is very plentiful and practically unlendable. The southern Swiss resorts, such as Lugano, Locarno, etc., have commenced their season well, all the towns on the Swiss lakes being full of visitors. Hotel accommodation at Easter was very difficult to find. Foreign tourists are still being granted a reduction of 30 per cent. on their railway fares in Switzerland. The final trade figures for 1937 show that exports increased from Frs.822 to 1,286 millions, and imports from Frs.1,266 to 1,807 millions.

Morocco

From the Bank of British West Africa Limited

Business conditions in the French zone continue quiet, and an improvement is not expected until after the Jewish Passover. Local confidence is still affected by events in France, and also by the lack of rainfall for the ripening crops. Although the crop outlook is giving rise to some anxiety, if rain falls during April a satisfactory harvest is still possible. So far in the north-eastern districts the rainfall has been better, but the important grain and seed belts of the central and southern districts need rain. Barley promises a fair to moderate crop, probably better than last year's, but maize and wheat are dependent upon more rain to ensure an average crop. Beans and canary seed are said to have suffered severely, but linseed

is expected to yield a good crop. Almond and olive trees in the south are reported to be flourishing, and the former to be laden with fruit.

An outbreak of typhus in the Marrakesh and Casablanca districts has engaged the serious attention of the French Authorities, and Casablanca has had to be declared an infected port for British shipping. The demand for textiles and green tea continues firm against medium stocks, but business in other imported goods is dull. Early vegetables and citrus fruits are being actively exported to France and England, and this trade is becoming so large and important that improved and special carrying facilities are under consideration by certain shipping companies.

The United States

The Administration's reverse over the bill to reorganise the Government departments has been countered by the President's new proposals for expenditure upon relief, coupled with the desterilisation of gold and the lowering of member bank minimum reserve requirements. General business conditions are still gloomy. The steel trade has done no more than come up to the expectations entertained at the beginning of the year. Carloadings are disappointing, and department stores report a lower turnover than a year ago. Automobile sales have increased, but insufficiently to raise hopes of really good business. Deposits with members of the New York Clearing House Association and commercial and "Brokers" loans are lower, and money rates are very easy. The average prices of shares and bonds on April 1st were \$22.32 and 85.71 per cent., compared with \$28.94 and 89.48 per cent. a month earlier.

The sugar market has continued downward, lack of bids having more effect than offerings. Consumption is certainly much lower than a year ago. Rubber is no longer at its worst, but is at less than half of last year's price. Home consumption of copper is falling, foreign demand alone keeping up the price. Increased supplies of tin have lowered the price, and the tin-plate industry is working at 50 per cent. of capacity. Lead has held its own, but zinc has fallen substantially.

During March the number of blast furnaces decreased by one to 90. Daily production of pig-iron was 46,854 tons, against 46,367 tons in February. Output of steel ingots was

2,011,840 tons, or only 33·84 per cent. of the mills' capacity. Shipments of finished products at 572,199 tons were 97,476 tons more than in February.

Exports of raw cotton to date are 4,850,185 bales against 4,541,268 bales last year. Speculative trading in cotton has been limited, but the tendency has been downward. Loan facilities have been extended to the end of July. The statistical situation has consistently deteriorated, and the excess of supplies over consumption is the largest for four or five years. Unless yields are low or consumption recovers the Government's drastic average reduction scheme will be inadequate. Business in fine cotton goods is dull, but there has been some demand for grey cloth as mills have become more amenable as regards prices.

South America

From the Bank of London and South America Limited

Argentina.—The first official estimate of the maize crop confirms earlier forecasts of only 4,500,000 tons, compared with 11,480,000 tons in 1934-35, 10,051,000 tons in 1935-36, and 9,135,000 tons in 1936-37. Owing to damage from drought and locusts, only half the area sown to maize this year was actually harvested. Total exports this year are unlikely to exceed 3,367,000 tons, against a normal annual shipment of over 7,000,000 tons and an actual shipment of 9,087,000 tons in 1937. This will be the worst export year since 1925. For the first quarter of 1938 exports of all commodities only totalled 392·0 million pesos, against parallel returns of 410·4 million pesos in 1936 and 837·7 million pesos in 1937.

The Central Bank's report for 1937 calls attention to the steps taken to prevent an internal expansion of credit developing as the result of the heavy influx of funds due to the good harvests of that year and also to the big influx of capital. By last May a total of 1,060·5 million pesos of banking funds had been absorbed by the Central Bank with this end in view, but this amount has since been reduced through the repatriation of debt owed abroad and because of the unfavourable trade balance during the latter part of the year. Reserves of gold and foreign exchange are sufficient to secure the stability of the official exchange market, which forms the basis of the fundamental business operations of the country. Movements of floating funds only affect the free exchange market.

Brazil.—The 1937 foreign trade returns provide further evidence of the decline in coffee exports and increase in raw cotton exports. These changes are shown below :—

| | Exports of | |
|---|------------|--------|
| | Coffee | Cotton |
| (Expressed as per cent. of gold value of total exports) | | |
| 1933 | 73.12 | 1.03 |
| 1934 | 61.13 | 13.24 |
| 1935 | 52.63 | 15.82 |
| 1936 | 45.52 | 19.08 |
| 1937 | 42.06 | 18.85 |

Cotton has lately been coming forward more freely for classification, and considerable quantities have been booked for export, though Japan is still not a large buyer. The quality of the new crop is better than that of last year, but recent heavy rains may cause some deterioration. Concern has been expressed at the recent decline in world cotton prices, but even at recent levels planters should obtain a reasonable margin of profit.

Brazilian coffee supplies to world markets for the first quarter of 1938 were 4,115,000 bags, against 3,627,000 bags for the first quarter of 1937. Over the first nine months of the current crop year (from July to March inclusive) Brazil supplied 10,449,000 bags or 56 per cent. of total world deliveries of 18,542,000 bags. This is the same proportion as in the previous crop season.

Chile.—Santiago reports that during early April the situation in the local "export" exchange market eased considerably, owing to deliveries made to the Exchange Control Board by the *Caja de Amortización*. Still, sight selling rates on New York and London were unchanged, and the general impression was that stringency would continue, though in a less acute form. Normal conditions have prevailed in the produce markets.

Japan

The Government is taking great pains to handle the enormous National expenditure without causing inflation. Extensive price control is being devised and a vigorous economy campaign has been resumed. The rise in wholesale prices has been partially checked, but the cost of living is rising sharply. Export trade remains active. Imports, except for war materials and fertilisers, are shrinking. With heavy Government disbursement money is easier, but the stock market is dull and weak.

Statistics

BANK OF ENGLAND

Issue Department

| | Note Circulation. | Govt. Debt. | Other Govt. Securities. | Other Securities. | Silver Coin. | Fiduciary Issue. | Gold. |
|-----------------|----------------------|----------------|-------------------------------|----------------------|-----------------|---------------------|-------|
| | £ mn. | £ mn. | £ mn. | £ mn. | £ mn. | £ mn. | £ mn. |
| End March, 1931 | 357·1 | 11·0 | 232·0 | 12·9 | 4·0 | 260·0 | 144·5 |
| " " 1932 | 360·5 | 11·0 | 240·9 | 19·3 | 3·8 | 275·0 | 120·8 |
| " " 1934 | 378·8 | 11·0 | 245·4 | 0·1 | 3·5 | 260·0 | 191·1 |
| " " 1935 | 381·4 | 11·0 | 246·7 | 0·2 | 2·1 | 260·0 | 192·5 |
| " " 1936 | 406·5 | 11·0 | 246·5 | 1·5 | 1·0 | 260·0 | 200·6 |
| " " 1937 | 473·8 | 11·0 | 187·0 | 2·0 | — | 200·0 | 313·7 |
| April 20, 1938 | 495·6 | 11·0 | 188·6 | 0·4 | — | 200·0 | 326·4 |
| April 27, 1938 | 489·3 | 11·0 | 188·6 | 0·4 | — | 200·0 | 326·4 |

Banking Department

| | Public Deposits. | Bankers' Deposits. | Other Deposits. | Govt. Secur- ities. | Discounts and Advances. | Other Secur- ities. | Reserve. | Propor- tion. |
|-----------------|---------------------|-----------------------|--------------------|---------------------------|-------------------------------|---------------------------|----------|------------------|
| | £ mn. | £ mn. | £ mn. | £ mn. | £ mn. | £ mn. | £ mn. | % |
| End March, 1931 | 17·2 | 58·8 | 34·7 | 30·3 | 24·6 | 25·7 | 48·3 | 43·6 |
| " " 1932 | 27·2 | 54·6 | 34·4 | 35·7 | 11·7 | 51·1 | 35·9 | 30·9 |
| " " 1934 | 17·5 | 94·5 | 36·9 | 77·1 | 5·6 | 11·0 | 73·4 | 49·2 |
| " " 1935 | 20·1 | 96·6 | 41·2 | 87·6 | 5·6 | 11·4 | 71·7 | 45·3 |
| " " 1936 | 18·0 | 83·6 | 37·0 | 80·3 | 5·0 | 16·7 | 54·9 | 39·6 |
| " " 1937 | 52·2 | 62·3 | 38·5 | 100·5 | 7·1 | 22·9 | 40·8 | 27·7 |
| April 20, 1938 | 18·0 | 106·5 | 36·1 | 117·6 | 8·2 | 20·8 | 31·6 | 19·7 |
| April 27, 1938 | 10·9 | 113·3 | 36·5 | 114·0 | 7·1 | 19·4 | 38·0 | 23·6 |

LONDON CLEARING BANKS (monthly averages)

| | Deposits. | Accept- ances, Guaran- tees, etc. | Cash. | Balances and Cheques. | Call and Short Money. | Bills. | Invest- ments. | Advances. |
|-------------|-----------|--|-------|-----------------------------|--------------------------------|--------|-------------------|-----------|
| | £ mn. | £ mn. | £ mn. | £ mn. | £ mn. | £ mn. | £ mn. | £ mn. |
| March, 1931 | 1,763·9 | 121·5 | 184·0 | 43·5 | 114·1 | 240·4 | 311·1 | 936·1 |
| " 1932 | 1,676·4 | 98·7 | 174·0 | 43·4 | 112·5 | 216·8 | 281·9 | 902·1 |
| " 1934 | 1,830·6 | 112·8 | 218·9 | 43·5 | 120·4 | 202·1 | 547·1 | 753·0 |
| " 1935 | 1,923·3 | 117·7 | 214·0 | 43·6 | 133·4 | 207·0 | 614·4 | 766·8 |
| " 1936* | 2,108·3 | 105·2 | 216·7 | 53·8 | 162·4 | 252·0 | 635·1 | 849·2 |
| " 1937* | 2,244·2 | 122·5 | 225·8 | 62·7 | 169·8 | 247·8 | 667·4 | 934·4 |
| Feb., 1938* | 2,279·9 | 109·2 | 242·5 | 61·1 | 143·7 | 287·9 | 632·8 | 979·7 |
| Mar., 1938* | 2,253·7 | 112·0 | 244·2 | 59·1 | 150·4 | 238·6 | 634·0 | 995·2 |

* Includes the District Bank.

LONDON BANKERS' CLEARING HOUSE RETURNS

| | Town Clearing | Metropolitan Clearing | Country Clearing | Total |
|---------------------------|------------------|--------------------------|---------------------|--------|
| | £ mn. | £ mn. | £ mn. | £ mn. |
| 1930 | 38,782 | 1,812 | 2,964 | 43,558 |
| 1931 | 31,816 | 1,668 | 2,752 | 36,236 |
| 1932 | 27,834 | 1,610 | 2,668 | 32,112 |
| 1933 | 27,715 | 1,657 | 2,766 | 32,138 |
| 1934 | 30,740 | 1,760 | 2,984 | 35,484 |
| 1935 | 32,444 | 1,887 | 3,229 | 37,560 |
| 1936 | 35,039 | 2,040 | 3,538 | 40,617 |
| 1937 | 36,719 | 2,162 | 3,805 | 42,686 |
| 1937 to April 28 | 12,737 | 728 | 1,254 | 14,719 |
| 1938 to April 27 | 10,890 | 703 | 1,236 | 12,829 |
| 1937, April (4 weeks) ... | 3,002 | 176 | 307 | 3,485 |
| 1938, April (4 weeks) ... | 2,383 | 157 | 279 | 2,819 |

BANKERS' PROVINCIAL CLEARING RETURNS

| | Mar., 1929 | Mar., 1932 | Mar., 1933 | Mar., 1934 | Mar., 1935 | Mar., 1936 | Mar., 1937 | Feb., 1938 | Mar., 1938 |
|---------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | £ mn. | £ mn. | £ mn. | £ mn. | £ mn. | £ mn. | £ mn. | £ mn. | £ mn. |
| Birmingham... | 11·9 | 9·0 | 9·7 | 11·3 | 9·6 | 10·7 | 11·3 | 9·8 | 10·6 |
| Bradford ... | 5·9 | 3·4 | 3·3 | 4·2 | 3·8 | 4·7 | 4·6 | 3·5 | 3·6 |
| Bristol ... | 5·3 | 4·9 | 5·0 | 5·4 | 4·9 | 5·5 | 5·5 | 5·5 | 5·9 |
| Hull... .. | 4·0 | 3·0 | 3·2 | 3·2 | 3·2 | 3·4 | 4·0 | 3·7 | 4·0 |
| Leeds ... | 4·4 | 3·8 | 3·8 | 4·4 | 4·3 | 3·9 | 4·8 | 4·4 | 4·3 |
| Leicester ... | 3·6 | 3·1 | 3·1 | 3·3 | 2·8 | 3·1 | 3·3 | 2·8 | 3·3 |
| Liverpool ... | 34·2 | 25·6 | 25·6 | 26·8 | 25·8 | 27·5 | 35·8 | 22·8 | 24·8 |
| Manchester... | 58·0 | 42·5 | 42·1 | 46·1 | 42·8 | 44·9 | 50·7 | 41·0 | 44·0 |
| Newcastle-on- Tyne ... | 6·5 | 5·7 | 6·5 | 6·9 | 5·5 | 5·7 | 6·3 | 7·0 | 6·9 |
| Nottingham | 2·8 | 1·9 | 1·9 | 2·0 | 2·0 | 2·1 | 2·3 | 2·3 | 2·3 |
| Sheffield ... | 4·6 | 3·3 | 3·5 | 3·6 | 3·4 | 4·3 | 6·0 | 5·1 | 4·8 |
| | 141·2 | 106·2 | 107·7 | 117·2 | 108·1 | 115·8 | 134·6 | 107·9 | 114·5 |

LONDON AND NEW YORK MONEY RATES

| | LONDON | | | | | New York | | |
|------------------|-----------------|--------------------------|---|---|----------------------------|-------------------------|--------------------------|--------------------------|
| | Bank Rate | Treasury Bills | | 3 Months' Bank Bills | Short Loans | F.R.B. Re-discount Rate | Call. Money | Acceptances |
| | | Tender Rate | Market Rate | | | | | |
| End March, 1931 | Percent. 3 | Percent. 2 $\frac{1}{2}$ | Percent. 2 $\frac{1}{2}$ -2 $\frac{3}{4}$ | Percent. 2 $\frac{1}{2}$ -2 $\frac{3}{4}$ | Percent. 2-2 $\frac{1}{2}$ | Percent. 2 | Percent. 1 $\frac{1}{2}$ | Percent. 1 $\frac{1}{2}$ |
| " " 1932 | 3 $\frac{1}{2}$ | 2 $\frac{3}{4}$ | 1 $\frac{1}{2}$ | 2 $\frac{1}{2}$ -2 $\frac{3}{4}$ | 2-3 | 3 | 2 $\frac{1}{2}$ | 2 $\frac{1}{2}$ |
| " " 1934 | 2 | 2 $\frac{3}{4}$ | 1 $\frac{1}{2}$ | 1 $\frac{1}{2}$ | 1-1 $\frac{1}{2}$ | 1 $\frac{1}{2}$ | 1 | 1 $\frac{1}{2}$ |
| " " 1935 | 2 | 2 $\frac{3}{4}$ | 1 $\frac{1}{2}$ | 1 $\frac{1}{2}$ | 1-1 $\frac{1}{2}$ | 1 $\frac{1}{2}$ | 1 | 1 $\frac{1}{2}$ |
| " " 1936 | 2 | 2 $\frac{3}{4}$ | 1 $\frac{1}{2}$ | 1 $\frac{1}{2}$ | 1-1 $\frac{1}{2}$ | 1 $\frac{1}{2}$ | 1 | 1 $\frac{1}{2}$ |
| " " 1937 | 2 | 2 $\frac{3}{4}$ | 1 $\frac{1}{2}$ | 1 $\frac{1}{2}$ | 1-1 $\frac{1}{2}$ | 1 $\frac{1}{2}$ | 1 | 1 $\frac{1}{2}$ |
| Mar. 30th, 1938 | 2 | 2 $\frac{3}{4}$ | 1 $\frac{1}{2}$ | 1 $\frac{1}{2}$ | 1-1 $\frac{1}{2}$ | 1 | 1 | 1 $\frac{1}{2}$ |
| April 27th, 1938 | 2 | 2 $\frac{3}{4}$ | 1 $\frac{1}{2}$ | 1 $\frac{1}{2}$ | 1-1 $\frac{1}{2}$ | 1 | 1 | 1 $\frac{1}{2}$ |

FOREIGN EXCHANGES

| London on | 1936 | 1937 | 1938 | | | | |
|------------------|--------------------------|--------------------------|-------------------------|--------------------------|----------------------|-------------------------|-------------------------|
| | April 22 | April 21 | Mar. 30 | April 6 | April 13 | April 20 | April 27 |
| New York— | | | | | | | |
| (a) Spot ... | 4.93 $\frac{1}{2}$ | 4.92 $\frac{3}{4}$ | 4.96 $\frac{1}{2}$ | 4.96 $\frac{1}{2}$ | 4.97 $\frac{1}{2}$ | 4.98 $\frac{1}{2}$ | 4.98 $\frac{1}{2}$ |
| (b) 3 months | 4.96 $\frac{1}{2}$ | 4.92 $\frac{1}{2}$ | 4.99 $\frac{1}{2}$ | 4.99 $\frac{1}{2}$ | 5.00 $\frac{1}{2}$ | 5.01 $\frac{1}{2}$ | 5.01 $\frac{1}{2}$ |
| Montreal ... | | | | | | | |
| Paris— | | | | | | | |
| (a) Spot ... | 74 $\frac{1}{2}$ | 111 $\frac{3}{4}$ | 163 $\frac{1}{2}$ | 161 | 158 $\frac{1}{2}$ | 158 $\frac{1}{2}$ | 160 $\frac{1}{2}$ |
| (b) 3 months | 2 $\frac{1}{2}$ c. dis. | Fr.2 dis. | Fr.4 dis. | Fr.4 $\frac{1}{4}$ dis. | Fr.3 dis. | Fr.2 $\frac{1}{2}$ dis. | Fr.5 $\frac{1}{2}$ dis. |
| Berlin— | | | | | | | |
| (a) Official ... | 12.28 | 12.25 $\frac{1}{2}$ | 12.37 $\frac{1}{2}$ | 12.37 $\frac{1}{2}$ | 12.38 $\frac{1}{2}$ | 12.39 $\frac{1}{2}$ | 12.40 |
| (b) Registered | | | | | | | |
| Marks | 46 $\frac{1}{2}$ % dis. | 51 $\frac{1}{2}$ % dis. | 50 $\frac{1}{2}$ % dis. | 51 $\frac{1}{2}$ % dis. | 51% dis. | 50 $\frac{1}{2}$ % dis. | 50 $\frac{1}{2}$ % dis. |
| Amsterdam ... | 7.27 $\frac{1}{2}$ | 9.00 | 8.96 $\frac{1}{2}$ | 8.96 $\frac{1}{2}$ | 8.96 $\frac{1}{2}$ | 8.96 $\frac{1}{2}$ | .96 |
| Brussels ... | 29.21 | 29.19 $\frac{1}{2}$ | 29.37 $\frac{1}{2}$ | 29.47 $\frac{1}{2}$ | 29.56 | 29.57 | 29.59 $\frac{1}{2}$ |
| Milan ... | 62 $\frac{1}{2}$ | 93 $\frac{1}{2}$ | 94 $\frac{1}{2}$ | 94 $\frac{1}{2}$ | 94 $\frac{1}{2}$ | 94 $\frac{1}{2}$ | 94 $\frac{1}{2}$ |
| Zurich ... | 15.15 $\frac{1}{2}$ | 21.56 $\frac{1}{2}$ | 21.66 $\frac{1}{2}$ | 21.64 $\frac{1}{2}$ | 21.65 | 21.68 | 21.69 |
| Stockholm ... | 19.39 $\frac{1}{2}$ | 19.40 $\frac{1}{2}$ | 19.40 | 19.40 $\frac{1}{2}$ | 19.40 $\frac{1}{2}$ | 19.40 $\frac{1}{2}$ | 19.40 $\frac{1}{2}$ |
| Madrid ... | 36 $\frac{1}{2}$ | 85.00* | 110* | 110* | 110* | 110* | 110* |
| Prague ... | 119 $\frac{1}{2}$ | 141 $\frac{1}{2}$ | 142 $\frac{1}{2}$ | 142 $\frac{1}{2}$ | 142 $\frac{1}{2}$ | 143 $\frac{1}{2}$ | 143 $\frac{1}{2}$ |
| Buenos Aires— | | | | | | | |
| (a) Export ... | 15 | 15 | 15 | 15 | 15 | 15 | 15 |
| (b) Import ... | 17.02 | 16.00 | 16.00 | 16.00 | 16.00 | 16.00 | 16.00 |
| (c) Free ... | 17.97 | 16.21 | 20.04 | 19.85 | 19.54 | 19.00 | 18.97 |
| Rio de Janeiro— | | | | | | | |
| (a) Official ... | 57 $\frac{1}{2}$ 430 | 55 $\frac{1}{2}$ 700 | — | — | — | — | — |
| (b) Free ... | 87 $\frac{1}{2}$ 900 | 78 $\frac{1}{2}$ 300 | 87 $\frac{1}{2}$ 600 | 87 $\frac{1}{2}$ 430 | 87 $\frac{1}{2}$ 580 | 87 $\frac{1}{2}$ 900 | 87 $\frac{1}{2}$ 700 |
| Valparaiso ... | | 131 $\frac{1}{2}$ * | 124.37* | 124.06* | 125* | 125* | 125* |
| Bombay ... | 18 $\frac{1}{2}$ d. | 18 $\frac{1}{2}$ d. | 18 $\frac{1}{2}$ d. | 18 $\frac{1}{2}$ d. | 18 $\frac{1}{2}$ d. | 18 $\frac{1}{2}$ d. | 17 $\frac{1}{2}$ d. |
| Hong Kong ... | 15 $\frac{1}{2}$ d. | 14 $\frac{1}{2}$ d. | 14 $\frac{1}{2}$ d. | 14 $\frac{1}{2}$ d. | 14 $\frac{1}{2}$ d. | 14 $\frac{1}{2}$ d. | 14 $\frac{1}{2}$ d. |
| Kobe ... | 1/2 $\frac{1}{2}$ | 1/2 | 1/1 $\frac{1}{2}$ | 1/1 $\frac{1}{2}$ | 1/1 $\frac{1}{2}$ | 1/2 | 1/2 |
| Shanghai ... | 14 $\frac{1}{2}$ d. | 14 $\frac{1}{2}$ d. | 12 $\frac{1}{2}$ d. | 12 $\frac{1}{2}$ d. | 13 $\frac{1}{2}$ d. | 13 $\frac{1}{2}$ d. | 13 $\frac{1}{2}$ d. |
| Gold price ... | 140s. 9 $\frac{1}{2}$ d. | 141s. 1 $\frac{1}{2}$ d. | 139s. 11d. | 140s. 1 $\frac{1}{2}$ d. | 139s. 10d. | 139s. 6d. | 139s. 7d. |
| Silver price ... | 20 $\frac{1}{2}$ d. | 20 $\frac{1}{2}$ d. | 18 $\frac{1}{2}$ d. | 19d. | 18 $\frac{1}{2}$ d. | 18 $\frac{1}{2}$ d. | 18 $\frac{1}{2}$ d. |

* Nominal.

PUBLIC REVENUE AND EXPENDITURE

| | 1934-5 | 1935-6 | 1936-7 | 1937-8 | 1937-8 to April 24 | 1938-9 to April 23 |
|--|--------------|--------------|--------------|--------------|--------------------------|--------------------------|
| | £ mn. | £ mn. | £ mn. | £ mn. | £ mn. | £ mn. |
| REVENUE— | | | | | | |
| Income Tax | 228.9 | 238.1 | 257.2 | 298.0 | 8.2 | 7.3 |
| Sur-Tax | 51.2 | 51.0 | 53.6 | 57.1 | 2.5 | 2.9 |
| Estate Duties | 81.3 | 87.9 | 88.0 | 89.0 | 5.9 | 4.4 |
| Stamps | 24.1 | 25.8 | 29.1 | 24.2 | 0.7 | 0.5 |
| National Defence Contribution | — | — | — | 1.4 | — | 0.4 |
| Customs | 185.1 | 196.6 | 211.3 | 221.6 | 16.5 | 12.9 |
| Excise | 104.6 | 106.7 | 109.5 | 113.7 | 8.5 | 8.1 |
| Motor Vehicle Duties (Exchequer Share) | 5.1 | 5.0 | 32.7* | 34.6* | 2.5* | 2.6* |
| Other Tax Revenue | 3.1 | 2.1 | 1.7 | 1.7 | — | — |
| Total Tax Revenue | 683.4 | 713.2 | 783.1 | 841.3 | 44.8 | 39.1 |
| Post Office (Net Receipts) ... | 12.2 | 11.7 | 11.0 | 10.5 | 3.0 | 2.1 |
| Post Office Fund | — | — | 0.1 | 0.8 | — | — |
| Crown Lands | 1.3 | 1.4 | 1.4 | 1.3 | — | 0.1 |
| Receipts from Sundry Loans | 4.4 | 4.9 | 4.5 | 5.2 | 0.2 | 0.1 |
| Miscellaneous Receipts ... | 15.1 | 21.7 | 24.6 | 13.5 | 0.3 | 0.7 |
| Total Non-Tax Revenue | 33.0 | 39.7 | 41.6 | 31.3 | 3.5 | 3.0 |
| Total Ordinary Revenue | 716.4 | 752.9 | 824.7 | 872.6 | 48.3 | 42.1 |
| Post Office | 61.8 | 66.1 | 71.9 | 76.1 | 2.0 | 3.2 |
| Road Fund | 26.4 | 25.8 | — | — | — | — |
| Total Self-balancing Revenue... | 88.2 | 91.9 | 71.9 | 76.1 | 2.0 | 3.2 |
| EXPENDITURE— | | | | | | |
| National Debt Interest ... | 211.6 | 211.5 | 210.9 | 216.2 | 23.3 | 23.2 |
| Payments to N. Ireland ... | 6.8 | 7.2 | 8.0 | 8.9 | 0.2 | — |
| Other Cons. Fund Services... | 3.6 | 5.7 | 3.2 | 3.1 | 0.3 | 0.3 |
| Post Office Fund | 2.3 | 1.1 | 0.4 | — | — | — |
| Supply Services | 472.2 | 512.0 | 594.7* | 605.0* | 26.5* | 27.7* |
| Total Ordinary Expenditure ... | 696.5 | 737.5 | 817.2 | 833.2 | 50.3 | 51.2 |
| Sinking Fund | 12.3 | 12.5 | 13.1 | 10.5 | — | 0.3 |
| Payments to U.S. Govt. ... | — | — | — | — | — | — |
| Self-balancing Expenditure (as per contra) | 88.2 | 91.9 | 71.9 | 76.1 | 2.0 | 3.2 |

* Motor Vehicle Duties apportioned to Road Fund, treated as self-balancing in 1936-37 now added to Revenue and Expenditure figures for purposes of comparison.

PRODUCTION

| | | | | Coal | Pig-Iron | Steel |
|----------------------|-----|-----|-----|------------|-------------|-------------|
| | | | | Tons mill. | Tons thous. | Tons thous. |
| Total 1913 | ... | ... | ... | 287·4 | 10,260 | 7,664 |
| " 1925 | ... | ... | ... | 243·2 | 6,262 | 7,385 |
| " 1929 | ... | ... | ... | 257·9 | 7,589 | 9,636 |
| " 1930 | ... | ... | ... | 243·9 | 6,192 | 7,326 |
| " 1931 | ... | ... | ... | 219·5 | 3,773 | 5,203 |
| " 1932 | ... | ... | ... | 208·7 | 3,574 | 5,261 |
| " 1933 | ... | ... | ... | 207·1 | 4,136 | 7,024 |
| " 1934 | ... | ... | ... | 221·0 | 5,969 | 8,850 |
| " 1935 | ... | ... | ... | 222·9 | 6,426 | 9,842 |
| " 1936 | ... | ... | ... | 228·5 | 7,686 | 11,705 |
| " 1937 | ... | ... | ... | 241·2 | 8,497 | 12,964 |
| Total to March, 1937 | ... | ... | ... | 60·2 | 1,935 | 3,104 |
| Total to March, 1938 | ... | ... | ... | 62·9 | 2,169 | 3,255 |

BOARD OF TRADE PRODUCTION INDEX NUMBER
(1930 = 100)

| | | | | Complete Year | | 1936 | 1937 | | | |
|---------------------------------|-----|-----|-----|---------------|-------|---------|---------|---------|---------|---------|
| | | | | 1936. | 1937. | 4th Qr. | 1st Qr. | 2nd Qr. | 3rd Qr. | 4th Qr. |
| Mines and Quarries | ... | ... | ... | 94·4 | 99·8 | 99·0 | 99·4 | 100·5 | 95·6 | 103·9 |
| Iron and Steel | ... | ... | ... | 150·1 | 166·7 | 155·6 | 158·1 | 165·6 | 165·5 | 177·6 |
| Non-Ferrous Metals | ... | ... | ... | 143·8 | 165·3 | 154·0 | 154·4 | 166·7 | 173·7 | 166·2 |
| Engineering and Shipbuilding | | | | 123·3 | 136·2 | 132·4 | 136·4 | 138·2 | 134·9 | 135·2 |
| Building Materials and Building | | | | 157·1 | 153·3 | 157·3 | 148·5 | 155·9 | 160·3 | 148·4 |
| Textiles | ... | ... | ... | 126·4 | 129·8 | 130·2 | 130·1 | 135·1 | 127·5 | 126·3 |
| Chemicals, Oils, etc. | ... | ... | ... | 115·4 | 124·0 | 120·6 | 121·8 | 125·9 | 123·3 | 125·1 |
| Leather and Boots and Shoes | | | | 120·7 | 118·8 | 119·6 | 120·6 | 121·3 | 117·7 | 115·6 |
| Food, Drink and Tobacco | ... | | | 114·5 | 120·3 | 121·2 | 111·2 | 124·9 | 120·3 | 124·5 |
| Total* | ... | ... | ... | 124·6 | 133·1 | 131·7 | 131·3 | 133·8 | 130·4 | 136·8 |

* Includes paper and printing, gas and electricity, rubber, cement and tiles.

UNEMPLOYMENT

(a) Percentage of Insured Workers

| Date | 1929 | 1931 | 1932 | 1934 | 1935 | 1936 | 1937 | 1938 |
|-----------|------|------|------|------|------|------|-------|-------|
| End of— | | | | | | | | |
| January | 12.3 | 21.5 | 22.4 | 18.6 | 17.6 | 16.2 | 12.4 | 13.3* |
| February | 12.1 | 21.7 | 22.0 | 18.1 | 17.5 | 15.3 | 12.0 | 13.2* |
| March | 10.0 | 21.5 | 20.8 | 17.2 | 16.4 | 14.2 | 11.6 | 12.9* |
| April | 9.8 | 20.9 | 21.4 | 16.6 | 15.6 | 13.6 | 10.5 | |
| May | 9.7 | 20.8 | 22.1 | 16.2 | 15.5 | 12.8 | 10.7 | |
| June | 9.6 | 21.2 | 22.2 | 16.4 | 15.4 | 12.8 | 10.0 | |
| July | 9.7 | 22.0 | 22.8 | 16.7 | 15.3 | 12.4 | 10.1 | |
| August | 9.9 | 22.0 | 23.0 | 16.5 | 14.9 | 12.0 | 9.9 | |
| September | 10.0 | 22.6 | 22.8 | 16.1 | 15.0 | 12.1 | 9.7* | |
| October | 10.3 | 21.9 | 21.9 | 16.3 | 14.5 | 12.0 | 10.2* | |
| November | 10.9 | 21.4 | 22.2 | 16.3 | 14.5 | 12.0 | 11.0* | |
| December | 11.0 | 20.9 | 21.7 | 16.0 | 14.1 | 12.0 | 12.2* | |

* New Basis.

(b) Actual Numbers Employed and Unemployed (in thousands)

| | Mar., 1932 | Mar., 1934 | Mar., 1935 | Mar., 1936 | Mar., 1937 | Jan., 1938 | Feb., 1938 | Mar., 1938 |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Number employed ... | 9,549 | 10,058 | 10,200 | 10,689 | 11,310 | 11,309 | 11,324 | 11,380 |
| Wholly unemployed | 2,129 | 1,814 | 1,727 | 1,551 | 1,330 | 1,400 | 1,394 | 1,356 |
| Temporarily stopped | 427 | 317 | 324 | 240 | 170 | 352 | 341 | 338 |
| Normally in casual employment ... | 104 | 94 | 92 | 88 | 76 | 66 | 73 | 70 |
| Total unemployed ... | 2,660 | 2,225 | 2,143 | 1,879 | 1,576 | 1,818 | 1,808 | 1,764 |

RAILWAY TRAFFIC RECEIPTS

| | Four weeks ended | | | | Aggregate for 16 weeks | | | |
|----------------------------------|------------------|-------|-----------------|-------|------------------------|-------|-----------------|-------|
| | April 25, 1937 | | April 24, 1938 | | 1937 | | 1938 | |
| | Pas- sengers | Goods | Pas- sengers | Goods | Pas- sengers | Goods | Pas- sengers | Goods |
| | £ mn. | £ mn. | £ mn. | £ mn. | £ mn. | £ mn. | £ mn. | £ mn. |
| Great Western ... | 0.7 | 1.3 | 0.9 | 1.1 | 2.7 | 5.0 | 2.8 | 5.0 |
| London & North Eastern* ... | 1.2 | 2.5 | 1.3 | 2.1 | 4.4 | 9.5 | 4.5 | 9.6 |
| London Midland & Scottish ... | 1.8 | 3.1 | 2.1 | 2.7 | 6.6 | 12.4 | 6.8 | 12.2 |
| Southern ... | 1.1 | 0.4 | 1.3 | 0.4 | 4.3 | 1.5 | 4.4 | 1.5 |
| Total ... | 4.8 | 7.3 | 5.6 | 6.3 | 18.0 | 28.4 | 18.5 | 28.3 |

* The London & North Eastern Railway Returns are made up a day earlier each week than the other lines.

RETAIL TRADE

(from the Board of Trade Journal)

Change in value since same date in previous year

| | Mar., 1935 | Mar., 1936 | Mar., 1937 | Feb., 1938 | Mar., 1938 |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| By CATEGORIES: Great Britain | % | % | % | % | % |
| Total | + 0.6 | + 7.9 | +15.2 | + 4.4 | - 3.7 |
| Food and Perishables | + 3.6 | + 9.3 | +16.4 | + 8.1 | - 1.2 |
| Other Merchandise of which | | | | | |
| Piece-goods* | - 0.7 | - 2.7 | - 0.4 | - 7.5 | - 2.4 |
| (i) Household Goods | - 2.1 | + 1.3 | + 8.7 | -13.6 | -17.0 |
| (ii) Dress Materials | + 0.5 | - 4.9 | - 6.6 | - 2.6 | + 5.4 |
| Women's Wear* | - 6.4 | + 7.0 | +14.8 | + 4.0 | - 2.8 |
| (i) Fashion Departments | - 3.1 | + 8.1 | +16.4 | + 9.6 | + 5.6 |
| (ii) Girls' and Children's Wear | -14.4 | +12.3 | +20.2 | + 2.3 | - 7.0 |
| (iii) Fancy Drapery | - 7.4 | + 5.3 | +13.3 | - 1.4 | -11.1 |
| Men's and Boys' Wear | - 2.6 | + 6.8 | + 9.4 | - 3.7 | - 4.9 |
| Boots and Shoes | - 9.0 | + 5.8 | +23.5 | - 3.6 | -10.5 |
| Furnishing Departments | + 1.1 | + 5.4 | + 9.4 | - 2.1 | - 8.4 |
| Hardware | - 0.9 | + 9.9 | + 2.1 | - 4.0 | - 7.4 |
| Fancy Goods | - 3.1 | + 5.3 | +11.2 | + 0.2 | - 9.5 |
| Sports and Travel | -14.4 | + 9.9 | +15.1 | - 7.8 | -19.2 |
| Miscellaneous and Unallocated | + 2.3 | + 7.8 | +21.0 | + 3.6 | -10.8 |
| By AREAS— | | | | | |
| All Categories— | | | | | |
| Scotland | + 2.7 | + 7.6 | +13.2 | + 5.7 | - 1.2 |
| North-East | — | — | — | + 5.9 | - 3.5 |
| North-West | — | — | — | + 4.6 | - 5.0 |
| Midlands & South Wales | — | — | — | + 6.0 | - 2.0 |
| South of England | + 1.1 | + 9.6 | — | + 5.7 | - 1.9 |
| London, Central & West End | - 6.9 | + 6.0 | + 9.8 | - 6.6 | -10.7 |
| London, Suburban | + 2.4 | + 7.7 | +17.8 | + 6.0 | - 3.8 |

* Including some goods which cannot be allocated to sub-headings.

OVERSEAS TRADE

| Date | IMPORTS | | | | EXPORTS | | | |
|-------------------|---------|---------------|----------------------------|-------|---------|---------------|----------------------------|-------|
| | Food | Raw Materials | Manu- factured Goods | Total | Food | Raw Materials | Manu- factured Goods | Total |
| Monthly Average— | £ mn. | £ mn. | £ mn. | £ mn. | £ mn. | £ mn. | £ mn. | £ mn. |
| 1929 | 44.6 | 28.3 | 27.9 | 101.7 | 4.6 | 6.6 | 47.8 | 60.8 |
| 1930 | 39.6 | 20.9 | 25.6 | 87.0 | 5.3 | 5.3 | 36.7 | 47.6 |
| 1931 | 34.7 | 14.4 | 21.8 | 71.8 | 3.0 | 3.9 | 24.3 | 32.6 |
| 1932 | 31.1 | 13.7 | 13.1 | 58.5 | 2.7 | 3.6 | 23.0 | 30.4 |
| 1933 | 28.3 | 15.0 | 12.6 | 56.3 | 2.4 | 3.8 | 23.4 | 30.6 |
| 1934 | 28.9 | 17.5 | 14.3 | 61.0 | 2.5 | 4.0 | 25.4 | 33.0 |
| 1935 | 29.6 | 17.7 | 15.4 | 63.0 | 2.6 | 4.4 | 27.4 | 35.5 |
| 1936 | 31.9 | 20.7 | 17.7 | 70.7 | 3.0 | 4.3 | 28.4 | 36.7 |
| 1937 | 36.0 | 26.3 | 22.9 | 85.7 | 3.2 | 5.4 | 33.7 | 43.5 |
| Mar., 1937 | 35.3 | 25.0 | 22.1 | 82.9 | 2.9 | 5.3 | 34.2 | 43.5 |
| Mar., 1938 | 37.1 | 24.0 | 23.2 | 84.9 | 2.8 | 4.9 | 33.5 | 42.2 |

SOME LEADING IMPORTS

| Date | Wheat | Iron Ore and Scrap | Raw Cotton | Raw Wool | Hides, Wet and Dry | Wood Pulp | Rubber | Iron and Steel Manu- factures |
|-------------------|--------------------|--------------------------|------------------------------------|------------------------------------|--------------------------|------------------|------------------------------------|--|
| Monthly Average— | (thous. cwt.s.) | (thous. tons) | (thous. centals of 100 lbs.) | (thous. centals of 100 lbs.) | (thous. cwt.s.) | (thous. tons) | (thous. centals of 100 lbs.) | (thous. tons) |
| 1929 | 9,314 | 480 | 1,283 | 678 | 98 | 137 | 330 | 235 |
| 1930 | 8,731 | 363 | 1,011 | 652 | 108 | 128 | 326 | 243 |
| 1931 | 9,952 | 185 | 989 | 707 | 106 | 122 | 237 | 237 |
| 1932 | 8,803 | 159 | 1,048 | 765 | 105 | 153 | 176 | 133 |
| 1933 | 9,366 | 234 | 1,169 | 793 | 120 | 162 | 189 | 81 |
| 1934 | 8,552 | 392 | 1,052 | 657 | 116 | 187 | 395 | 114 |
| 1935 | 8,435 | 415 | 1,060 | 720 | 141 | 185 | 325 | 96 |
| 1936 | 8,401 | 587 | 1,289 | 762 | 157 | 198 | 116 | 124 |
| 1937 | 8,074 | 669 | 1,382 | 653 | 157 | 149 | 254 | 170 |
| Mar., 1937 | 9,757 | 637 | 1,794 | 778 | 122 | 112 | 161 | 94 |
| Mar., 1938 | 8,114 | 777 | 1,252 | 916 | 108 | 125 | 406 | 277 |

SOME LEADING EXPORTS

| Date | Coal | Iron and Steel | Machin- ery | Cotton Yarns | Cotton Piece- Goods | Woollen Tissues | Worsted Tissues | Motor Cars |
|-------------------|------------------|----------------------|------------------|-----------------|---------------------------|----------------------|----------------------|---------------|
| Monthly Average— | (thous. tons) | (thous. tons) | (thous. tons) | (mill. lbs.) | (mill. sq. yds.) | (thous. sq. yds.) | (thous. sq. yds.) | (number) |
| 1929 | 5,022 | 365 | 47 | 11.8 | 306 | 9,016 | 3,490 | 1,991 |
| 1930 | 4,573 | 263 | 40 | 11.1 | 201 | 6,587 | 2,893 | 1,602 |
| 1931 | 3,563 | 165 | 27 | 11.4 | 143 | 4,694 | 2,479 | 1,429 |
| 1932 | 3,242 | 157 | 25 | 13.9 | 183 | 4,461 | 2,358 | 2,246 |
| 1933 | 3,256 | 160 | 23 | 15.8 | 169 | 5,110 | 2,741 | 2,821 |
| 1934 | 3,305 | 188 | 28 | 10.9 | 166 | 5,745 | 2,772 | 2,904 |
| 1935 | 3,226 | 193 | 32 | 11.8 | 162 | 5,934 | 3,205 | 3,659 |
| 1936 | 2,878 | 184 | 32 | 12.6 | 160 | 6,523 | 3,304 | 4,268 |
| 1937 | 3,363 | 215 | 37 | 13.3 | 160 | 6,653 | 3,583 | 4,468 |
| Mar., 1937 | 3,043 | 232 | 36 | 15.3 | 179 | 7,153 | 3,520 | 4,767 |
| Mar., 1938 | 2,966 | 176 | 46 | 13.1 | 129 | 5,488 | 3,099 | 5,194 |

PRICES

1. WHOLESALE PRICES

| Date | Index Number (Sept. 16th, 1931=100) | | | | |
|--------------------|-------------------------------------|--------|--------|-------|---------|
| | U.K. | U.S.A. | France | Italy | Germany |
| Average 1929 ... | 150.9 | 139.4 | 141.3 | 146.0 | 126.1 |
| 1931 ... | 107.7 | 103.5 | 105.5 | 103.5 | 101.9 |
| 1932 ... | 103.5 | 89.3 | 92.0 | 93.1 | 88.7 |
| 1933 ... | 103.5 | 93.7 | 87.7 | 86.6 | 85.7 |
| 1934 ... | 106.4 | 111.1 | 83.1 | 84.2 | 90.4 |
| 1935 ... | 108.1 | 120.3 | 78.4 | 97.2 | 93.5 |
| 1936 ... | 116.2 | 121.4 | 90.6 | 112.5 | 95.6 |
| 1937 ... | 134.6 | 131.5 | 127.0 | 133.4 | 97.3 |
| End Mar., 1937 ... | 139.6 | 137.3 | 121.8 | — | 97.5 |
| " April, 1937 ... | 135.9 | 135.6 | 120.5 | 128.7 | 97.0 |
| " Mar., 1938 ... | 122.9 | 117.7 | 139.4 | 141.7 | 97.1 |
| " April, 1938 ... | 122.9 | 116.9 | 140.1 | 142.0 | 97.0 |

Sources: U.K., "Financial Times"; U.S.A., Irving Fisher; France, Statistique Générale; Italy, Italian Chamber of Commerce; Germany, Statistisches Reichsamt.

2. RETAIL PRICES (cost of living)

| Date | Food | Rent (including Rates) | Clothing | Fuel and Light | Other Items included | All Items included |
|--------------------|------|------------------------------|----------|----------------------|----------------------------|--------------------------|
| End of 1929 ... | 57 | 52 | 115 | 75 | 80 | 66 |
| 1931 ... | 31 | 54 | 90 | 75 | 75 | 47 |
| 1932 ... | 23 | 55 | 85 | 70-75 | 70-75 | 42 |
| 1933 ... | 24 | 56 | 85 | 70-75 | 70-75 | 42 |
| 1934 ... | 25 | 56 | 85-90 | 70-75 | 70-75 | 44 |
| 1935 ... | 31 | 58 | 85 | 75 | 70 | 47 |
| 1936 ... | 36 | 59 | 90-95 | 75-80 | 70 | 51 |
| End Mar., 1937 ... | 35 | 59 | 95-100 | 75-80 | 70-75 | 51 |
| " Feb., 1938 ... | 40 | 59 | 110 | 80-85 | 75 | 56 |
| " Mar., 1938 ... | 37 | 59 | 110 | 80-85 | 75 | 54 |

The figures represent the percentage increase above July, 1914, which is equal to 100.

3. COMMODITY PRICES (average for month)

| Date. | Wheat No. 1 N. Manitoba | Sugar Centrifugals U.K. | Cotton American Middling | Wool 64's tops avge. | Pig-Iron, Cleveland No. 3. | Tin, Standard Cash | Rubber Plantation Sheet |
|------------------|-------------------------------|-------------------------------|--------------------------------|----------------------------|----------------------------------|--------------------------|-------------------------------|
| | per qr. s. d. | per cwt. s. d. | per lb. d. | per lb. d. | per ton s. d. | per ton £ | per lb. d. |
| Average 1929 ... | 54 0 $\frac{1}{2}$ | 9 0 $\frac{1}{2}$ | 10.29 | 38 $\frac{1}{2}$ | 70 4 $\frac{1}{2}$ | 203 $\frac{1}{2}$ | 10 $\frac{1}{2}$ |
| 1931 ... | 28 2 $\frac{1}{2}$ | 6 4 $\frac{1}{2}$ | 5.08 | 23 $\frac{1}{2}$ | 58 7 | 118 $\frac{1}{2}$ | 3 $\frac{1}{2}$ |
| 1932 ... | 30 6 $\frac{1}{2}$ | 5 9 $\frac{1}{2}$ | 5.29 | 22 $\frac{1}{2}$ | 58 6 | 136 $\frac{1}{2}$ | 2 $\frac{1}{2}$ |
| 1933 ... | 28 2 | 5 4 | 5.53 | 28 $\frac{1}{2}$ | 62 3 | 194 $\frac{1}{2}$ | 3 $\frac{1}{2}$ |
| 1934 ... | 30 11 | 4 8 $\frac{1}{2}$ | 5.66 | 30 $\frac{1}{2}$ | 66 10 $\frac{1}{2}$ | 230 | 6 $\frac{1}{2}$ |
| 1935 ... | 34 3 $\frac{1}{2}$ | 4 8 | 6.69 | 28 | 67 10 | 225 $\frac{1}{2}$ | 5 $\frac{1}{2}$ |
| 1936 ... | 38 0 | 4 8 $\frac{1}{2}$ | 6.67 | 32 $\frac{1}{2}$ | 73 0 | 204 $\frac{1}{2}$ | 7 $\frac{1}{2}$ |
| 1937 ... | 53 11 $\frac{1}{2}$ | 6 4 $\frac{1}{2}$ | 6.37 | 35 $\frac{1}{2}$ | 91 10 | 243 $\frac{1}{2}$ | 9 $\frac{1}{2}$ |
| April, 1937 ... | 56 2 $\frac{1}{2}$ | 6 5 $\frac{1}{2}$ | 7.65 | 38 $\frac{1}{2}$ | 81 0 | 252 | 10 $\frac{1}{2}$ |
| Mar., 1938 ... | 55 2 $\frac{1}{2}$ | 5 2 | 5.06 | 26 $\frac{1}{2}$ | 109 0 | 183 $\frac{1}{2}$ | 6 $\frac{1}{2}$ |
| April, 1938 ... | 55 6 | 4 11 $\frac{1}{2}$ | 4.87 | 25 $\frac{1}{2}$ | 109 0 | 168 $\frac{1}{2}$ | 5 $\frac{1}{2}$ |



A FAMOUS BANK

The name of Lloyds has been a household word in banking circles since 1765, when the firm of Lloyds and Company was established at Birmingham. In 1865, this firm became a Joint Stock Company and was known as Lloyds Banking Company Limited, which name was changed to the present title in 1889. Since 1865 more than fifty private and Joint Stock Banks, one of which was established in Lombard Street in 1677, have been absorbed by Lloyds.

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